

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6563 SENATE RESOURCES

967

Given our current economy, the Legislature may find it difficult to support appropriation of dollars from the General Fund to create a new program. AHP urges the Legislature to consider this legislation not as an expenditure, but as a cost savings investment for the future. The state is already spending millions of public dollars to cleanup abandoned waste sites across the state. An active waste reduction program will help reduce future state expenses in this area and help reduce the size, scope and costs for new waste management facilities. Moreover, the competitiveness of Alaskan industries will be enhanced as businesses improve their operating efficiency through the implementation of waste reduction programs.

As stated in a recent article in Waste Minimization & Recycling Report, a national waste reduction newsletter produced by Government Institutes, Inc.: "it has been demonstrated numerous times that waste minimization can reduce economic expenditures, that there can be significant economic leverage factors in waste minimization. The Ventura County (California) experience shows a whopping leverage factor of over 50- i.e., more than fifty dollars can be saved for each dollar invested in waste minimization." (September 1988, page 11).

The bottom line is that waste reduction works and makes sense for Alaskan business and for the state as a whole. Further, there is demonstrated need for sustained programs to assist industry in developing waste reduction programs, and to build into our state government the capability to maintain a waste reduction program over time.

AHP looks forward to providing further comment on this legislation during committee hearings. We also are available to provide any additional technical assistance that the Legislature might need in the area of waste reduction. Enclosed is some additional information about AHP's Waste Reduction Assistance Program (WRAP). Please keep us informed of the progress of this legislation. Thank you.

cc. Governor Steve Cowper
Representatives:
Brown
M. Davis
Ellis
Goll
Koponen
Menard
Navarre
Ulmer

Hazardous & Solid WASTE MINIMIZATION & RECYCLING REPORT

Code 7025

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Federal Report

Federal Waste Reduction Policy, 1989 and Beyond: A Look Ahead

by David R. Jones

On January 20, 1989, George Bush will become the 41st president of the United States. In the years to come, will observers look back upon this date as the beginning of a new era in hazardous waste reduction policy? Or will the man who campaigned to become the "environmental president" be remembered for continuing the weak, fragmented federal policies of recent years?

President-elect Bush takes office with a campaign commitment to reduce pollution. Indeed, his statements on the environment make specific mention of the need for waste minimization and recycling (see box on next page). The question is: Will the Bush administration make waste reduction a cornerstone, or even a major component, of its environmental policy plans?

Legislation in Congress

Congress begins the 1989 session with its own

agenda for hazardous waste reduction and recycling. In the House, the Waste Reduction Act (H.R. 2800 in the previous congressional session) will be reintroduced by Rep. Howard Wolpe (D-Mich.). H.R. 2800 breezed through the House last year, boasting 230 co-sponsors, despite opposition from the Chemical Manufacturers Association (CMA). Though the Wolpe bill must now wind its way through the legislative process all over again, swift approval appears likely.

A different story may be taking shape in the Senate. Sen. Frank Lautenberg (D-N.J.) returns after a tough reelection campaign to sponsor the Senate version of the Hazardous Waste Reduction Act. Last year, Lautenberg's bill had 23 co-sponsors, including seven Republicans, yet died in committee.

In 1989, the Senate probably will have a more liberal tilt; though Senate Democrats increased their numbers by just one, two moderate-to-liberal

(continued on next page)



Case Study

The Alaska Health Project: Selling Small Businesses on Hazardous Waste Reduction

by David R. Jones

At times, both professionals involved in waste minimization and those reporting on the subject take on the trappings of religious zealots in their advocacy. Reducing hazardous wastes in business and government operations is often so practical, and the economic and environmental benefits so obvious, that those of us in the field occasionally sound like television preachers proclaiming the dawn of a new age.

In short, we sometimes speak of hazardous waste reduction more as a moral imperative and less as a business, engineering and management strategy. And while reducing wastes is undoubtedly the key, long-term solution to toxic pollution, few business managers are willing to commit substantial time and resources to waste reduction simply because it is the "right" thing to do.

Preaching the Bottom Line

The Alaska Health Project (AHP) was established in 1980 with the purpose of providing information and education about hazardous materials in the work place and in the community. AHP conducts seminars on occupational safety and health for business operators and employees; develops training manuals; and provides information to individuals, businesses, health professionals, and state and local governments. Information is offered through publications, a Small Business Hazardous Materials Resource Library, research assistance and referral services to additional resources in the state and the nation.

For AHP, promoting waste reduction in the private sector means speaking the language of the business professional, not that of the environmentalist or the scientist. Consider the introduction to its promotional brochure:

"Effective material management is key to any successful business. And when it comes to hazardous materials and waste reduction, sound management is crucial to protecting your business investment."

AHP goes on to list the benefits of proper hazardous materials and waste reduction management, focusing on economic opportunities:

- "Reduce injuries and costly spills"
- "Reduce liabilities, such as future clean-ups, regulatory and noncompliance problems"
- "Help maintain a safe and healthy work place and community"
- "Improve your public image with your customers and your community," and

- "Reduce hazardous waste production and thereby reduce or eliminate regulatory costs, disposal costs and insurance costs."

Unlike many technical assistance programs (TAPs) for reducing hazardous wastes, AHP is not state-operated; rather, it is a nonprofit organization that taps into the resources of state and local government, academia, foundations and the business community. What further sets AHP from TAPs in other states is its exclusive focus on the needs of small business.

Program Components

AHP launched its waste reduction efforts in 1986 with the development of the Waste Reduction Assistance Program (WRAP) and the Small Business Hazardous Materials Management Project (HMMP). Both programs target small business.

The Waste Reduction Assistance Program focuses on providing on-site consultation for small business. Like Minnesota's Technical Assistance Program, WRAP arranges internships for engineering graduate students. These students, recruited from the University of Alaska School of Engineering, assist AHP staff in conducting waste reduction audits at work sites. Audit reports concentrate on the elimination of waste through source reduction and recycling wherever possible.

After on-site audits are conducted, individual reports are written describing the processes used and waste produced by the particular business. Each report recommends methods for reducing these wastes. The identity of the business remains confidential. While geared to specific sites, the audits are intended to be applicable to similar businesses in the state. Audit reports are available to interested parties upon request.

In addition, WRAP has produced a set of on-site consultation audits for dry cleaners, photofinishing shops, auto body and repair shops, automotive repair shops, printing shops, aviation facilities and electroplaters. Audit reports also are being prepared for dairies, fur tanning shops and bottle making/chemical manufacturing sites. Each audit includes practical, low-cost techniques that businesses can use in current operations, or in planning future expansion.

The success of WRAP was recognized last year when Anchorage Mayor Tony Knowles bestowed the 1987 Mayor's Pollution Prevention Award to AHP for the program. In a letter to AHP, Mayor Knowles noted that WRAP "is a truly outstanding example of



Case Study(continued)

providing needed on-site advice and help to businesses on pollution prevention" that "provides an example for others to follow." WRAP "not only has raised an awareness of the environmental and economic benefits" of waste reduction, write the mayor, but also "has provided practical technical assistance to many businesses that would otherwise not have the money or expertise for such programs."

WRAP is funded by a RCRA 8001 grant from the U.S. Environmental Protection Agency, Region 10.

The Hazardous Materials Management Project focuses on providing technical assistance and education to small firms. This includes developing waste reduction fact sheets; producing other educational materials; conducting seminars; and responding to information requests.

An example of HMMP's program materials is the manual *Profiting from Waste Reduction in Your Small Business*. In the introduction, author David Wigglesworth observes that it is designed to help small business managers and their employees work together to identify and implement methods of waste reduction, as well as "help managers and employees see their industrial wastes as financial resources rather than as unavoidable byproducts of their business process."

Profiting from Waste Reduction—which could be used by small firms in Alaska and the lower 48 alike—is a high readable, easy-to-use guide that takes the business owner step-by-step through the process of creating an in-house waste reduction program. After reviewing the financial benefits of such a program, the manual outlines how to:

1. Organize a business to promote waste reduction by forming an audit team.
2. Review business plans and procedures for waste reduction potential. This includes assessing a firm's market plan, financial plan and record-keeping plan and operations plan (which includes process, receiving, delivery and inventory procedures and personnel policies).
3. Carry out a waste reduction audit in four steps: conduct a preliminary walkthrough; conduct a facility walkthrough; identify waste reduction opportunities; and document findings.
4. Evaluate a waste reduction program and implement options.

Also included is a chart that highlights nine common business processes (such as dry cleaning, equipment maintenance and purchasing); the types of businesses that use particular processes; the types of wastes generated; and selected low-cost and higher-cost options for waste reduction. The manual concludes with an extensive listing of waste

reduction resources for small businesses.

A major feature of *Profiting from Waste Reduction* is its ready-to-use business forms, complete with instructions. For example, the chapter on conducting a waste reduction audit includes forms for process identification, materials identification, waste identification and cost identification. It even has a walk-through schematic drawing for diagramming a facility and highlighting waste-generating processes.

HMMP works closely with the Small Business Development Center of Alaska, which helps AHP reach small business operators and serves as a distribution center for program materials. The Charles Stewart Mott Foundation in Flint, Mich. funds HMMP.

Signposts to Success

Though AHP's waste reduction efforts were initiated just two years ago, its two small business programs have provided program materials to numerous businesses and government agencies, both in Alaska and in other states (AHP also conducts regional waste-reduction activities as part of EPA Region 10's waste management initiatives in the Pacific Northwest). It also has offered free, confidential, on-site assistance to firms involved in printing, dry-cleaning, auto body and automobile repair and aircraft maintenance.

Will AHP succeed in helping Alaskan small businesses substantially reduce their waste generation? This question will be answered in the next few years, as the organization expands its outreach and technical assistance efforts. Nevertheless, several factors indicate that AHP may evolve into a model program for hazardous waste reduction.

- AHP combines "generic" technical assistance with information geared to specific types of businesses. AHP's manual *Profiting from Waste Reduction* is a general guide to establishing an industrial waste reduction program that all types of firms can use. This generic manual is complemented by on-site consultation to individual businesses and detailed audits and fact sheets applicable to particular kinds of work sites—dry cleaners, aviation facilities and others.

- AHP taps a wide array of public and private sector resources to bolster its efforts. The Waste Reduction Assistance Program follows the lead of Minnesota's Technical Assistance Program in placing engineering graduate students in individual firms for on-site consultation. To ensure its outreach efforts succeed, AHP works closely with the Small Business Development Center of Alaska, which helps AHP reach small businesses and distributes program materials. In addition, AHP draws upon the

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Case Study (continued)

advice and expertise of a statewide, 40-member Professional Resource Committee and a Small Business Hazardous Materials Advisory Committee.

- AHP targets Alaskan firms—that is, small businesses—with the greatest need for waste reduction technical assistance. Alaska's economy is dominated by large oil companies. But, as the congressional Office of Technology Assessment has pointed out, "The size of a firm—in terms of annual sales or number of employees—is not necessarily indicative of the amount and/or toxicity of wastes being produced....In certain states small firms may be more prone than large ones to poor waste practices, i.e., they may create problems out of proportion to their hazardous waste generation rates."

- AHP taps nongovernmental sources of funding. While most technical assistance programs for industrial waste reduction rely on state or federal funds, HMMP is funded by the Flint, Michigan-based Charles Stewart Mott Foundation. This

foundation has long supported innovative programs around the country that take new approaches to solving social problems. In addition, publication of AHP's manual was partially funded by the municipality of Anchorage, the Anchorage Water and Wastewater Utility, the state Department of Environmental Conservation and the U.S. Environmental Protection Agency.

Selling to the Sellers

It remains to be seen whether AHP can have a long-term impact on waste reduction in Alaska. Yet, in just two years, the organization has made its mark. With the motto "Waste Reduction Is Good Business Sense [sic], AHP has sold many Alaskan small businesses on the economics of waste reduction, whose environmental benefits become readily apparent upon implementation.

Contact David Wigglesworth, Alaskan Health Project, 431 West 7th Ave., Suite 101, Anchorage, AK 99501; (907) 276-2864. #DRJ

Recycling News

Steel Can Recycling Seen in Future by Scrap Metal Processors—But Not Now

Scrap metal processors don't believe a ready market exists for steel can scrap, according to a survey of members by the Institute of Scrap Recycling Industries (ISRI). The survey showed, however, that many processors expect such recycling to be a viable option for their business in the future—not just yet.

Robert Garino, director of commodities for ISRI, said only about 100 processors responded to the survey. "We assume the lack of response reflects a low present interest in the subject," Garino said, "but we believe the survey is a valid insight." Most respondents—more than 95 percent—now process aluminum can scrap, Garino said, and 30 percent also process bi-metallic cans.

Asked whether processors have recently tried to sell steel can scrap to steel mills, 83 percent of those responding said "no." Of the 17 percent answering yes, only a couple noted positive mill interest. Almost 70 percent of the companies surveyed said no ready market exists for the steel in can scrap.

When asked about any processing problems, most respondents answered "no" and also saw no transportation or environmental problems. Some, however, expressed concern about the lack of specialized processing equipment, anticipated high freight rates, and health problems associated with residual food in cans.

Asked whether steel can recycling was a "viable option for your business in the future," about 60 percent of the respondents said "yes." Thirty-five percent said "no," however, and five percent answered "maybe." For more information, contact Dean Reed, ISRI, 1627 K St., NW, Washington, D.C. 20006; (202) 466-4050. #

Amoco, Big Mac Attack Polystyrene Waste

A joint project of Amoco Foam Products, McDonald's Corporation, and the city and state of New York is investigating the feasibility of recycling polystyrene foam containers into home construction materials. The impetus of the project was New York Governor Cuomo's request to McDonald's to use substitute biodegradable materials for plastic foam packaging in restaurants in the state, as well as New York City Mayor Koch's stated opposition to forms of plastic packaging.

A pilot project will be conducted at 20 McDonald's outlets in New York City, with a companion recycling project for corrugated paperboard boxes also being tested in the city. For more information, contact the Council on Plastics and Packaging in the Environment, 1275 K St., N.W., Washington, D.C. 20005; (202) 789-1310. # AHP



PROGRAM SUMMARY OF ALASKA HEALTH PROJECT'S
WASTE REDUCTION ASSISTANCE PROGRAM (WRAP)

January 20, 1989

Alaska Health Project's Waste Reduction Assistance Program (WRAP) was established in 1986. WRAP is a non-regulatory multi-media program providing information, technical assistance, and on-site audits to Alaskan businesses, small business in particular. WRAP information and technical assistance has also been provided to businesses and other waste reduction programs through out the United States. WRAP activities focus on source reduction and recycling. Specific program activities include:

- * Information clearinghouse/research
- * Technical assistance (including an 800 number)
- * Seminars
- * Education outreach (news articles, public speaking)
- * On-site waste reduction audits
- * Waste reduction publications (fact sheets, manuals, audits)
- * Waste reduction resource library
- * Graduate engineering students intern program
- * Referrals

To date, WRAP staff have responded to several hundred technical assistance inquiries and have completed 14 detailed waste reduction audit reports for selected Alaskan businesses. A total of 8 graduate interns have assisted WRAP staff conduct the on-site audits and prepare audit reports. In addition, WRAP staff have completed over two dozen informational articles for Alaskan newspapers, presented 10 waste reduction seminars, produced 6 technical waste reduction information fact sheets for selected businesses, and published a 46-page manual entitled "Profiting From waste Reduction In Your Small Business."

The Small Business Development Center of Alaska, the University of Alaska, and the State Department of Environmental Conservation are keyed into selected components of WRAP. Funding for WRAP comes from a variety of public and private sources including the Charles Stewart Mott Foundation ,the Alaska Department of Environmental Conservation, and US EPA Region 10.

AHP is a private non-profit organization established in 1980. The WRAP program contact is David Wigglesworth, 907-276-2864.

LIST OF CURRENT WASTE REDUCTION PUBLICATIONS
PRODUCED BY ALASKA HEALTH PROJECT

January 1989

Detailed Audit Reports

- * Auto Body Repair and Paint Shop
- * Automotive Repair Shop
- * Aviation
- * Chemical Manufacturing (and plastic bottle production)
- * Dairy Foods
- * Dry Cleaners
- * Electroplating
- * Fur Tanning
- * High School
- * Laboratory
- * Newspaper Manufacturing
- * Photofinishing
- * Print Shop
- * Publishing House

Waste Reduction Fact Sheets

- * General Industry
- * Dry Cleaners
- * Local Government
- * Newspaper Manufacturing
- * Photofinishers
- * Print Shop
- * Vehicle Repair

Other Publications

- * News articles
- * "Profiting From Waste Reduction In Your Small Business", 46 pages. Designed to help small business identify and implement and industrial waste reduction program.

OTHER SELECTED WASTE REDUCTION ACTIVITIES
PERFORMED BY ALASKA HEALTH PROJECT

January 1989

- * Member, National Roundtable for State Waste Reduction Programs.
- * Member, Technical Advisory Committee providing review of the "EPA Manual for Waste Minimization Opportunity Assessments."
- * Manuscript contributions to "Hazardous Waste Minimization" to be published by McGraw-Hill Inc.
- * Past member, Pacific Northwest Regional Waste Management Steering Committee.
- * Participant, survey evaluating waste reduction audit protocols conducted by CHEMCYCLE for the State of New Jersey.
- * Recipient, Mayors Pollution Prevention Award, 1987, Anchorage, Alaska.



Tom Fink,
Mayor

Municipality of Anchorage

Municipal Health & Human Services Commission

825 "L" Street

P.O. Box 196650 • Anchorage, Alaska 99519-6650



Telephone:
(907) 343-4674

February 17, 1989

Representative Kay Brown
P.O. Box V
Juneau, Alaska 99811

Subject: HB 106 & 107

Dear Representative Brown,

The Municipal Health and Human Services Commission strongly supports both House Bill 106, "an act relating to hazardous waste," and House Bill 107, "an act making a special appropriation for hazardous waste reduction grant program."

Tons of hazardous materials are known to be stored, used, or transported in Anchorage everyday. The continued need for chemicals will mean that some time a major hazardous materials emergency will happen, potentially involving human casualties, mass evacuations, and environmental and property damage.

The Commission believes that the best way to reduce the dangers associated with hazardous waste is to reduce the amount of hazardous waste used. This philosophy is reflected in the Anchorage Health and Human Services Plan which specifically recommends this strategy.

It is estimated that over 1,500 businesses in Anchorage could potentially take advantage of the proposed hazardous waste reduction program. Although the initial program is modest it could reap large financial and environmental quality benefits in the future.

Please let us know how we can be of further assistance in promoting the passage of this important piece of legislation.

Sincerely,

Linda Langston

Linda Langston, Chair,
Municipal Health & Human Services Commission

cc: Mayor Tom Fink

Bert Hall, Director, Department of Health & Human Services
Bill Faulkner, Chairman, Municipal Assembly
Governor Steve Cowper
Representatives: Larson, Hoffman, Goll, Gruenberg, Davis,
Menard, Navarre, Kopenen, Ellis, Ulmer

ALASKA STATE AFL-CIO

2501 Commercial Dr.
Anchorage, Alaska 99501
(907) 258-6284



519 1st Ave
Fairbanks, Alaska 99701
(907) 456-2030

MANO FREY
Executive President

February 24, 1989

Representative Kay Brown
Box V
Juneau, Alaska 99811

Dear Representative Brown,

On behalf of the Alaska State AFL-CIO, I would like to offer this letter in support of CS HB 106 (Resources) and HB 107, legislation to establish a hazardous waste reduction program in Alaska.

There is one significant benefit of the proposed legislation that we are very interested in, and we feel should be emphasized. Non-regulatory technical assistance to small businesses that results in more efficient use of toxic or hazardous materials can also help reduce occupational health risks. Many waste reduction techniques involve relatively simple housekeeping improvements within a production system (e.g. taking care not to combine waste streams in a way that precludes recycling or reuse of hazardous materials). The technical assistance and matching grants program that would be established by CS HB 106 (Resources)/HB 107 would help businesses identify these opportunities and generally increase awareness about the appropriate management of hazardous materials. Waste reduction efforts will not only result in lower costs, but also increased awareness about hazardous materials management and a general improvement in the cleanliness and safety of operations for employees.

In conclusion, CS HB 106 (Resources)/HB 107 would not only assist businesses generating hazardous wastes to lower costs and avoid expensive and unnecessary contamination clean-ups in the future, the legislation would also help reduce occupational health risks. The Alaska State AFL-CIO supports this preventative approach to hazardous waste management and urges passage of this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Smutz". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Pat Smutz
Business Representative/
COPE Director

cc: Mano Frey

America North Inc.

Environmental Consulting/Natural Resources Management

February 3, 1989

Representative Kay Brown
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Representative Brown:

I would like to express my strong support for HB 106/107. This legislation would provide both an important message and a valuable service to waste generators in Alaska.

As co-owner of an environmental consulting firm, I can assure you that several large industrial corporations in Alaska have taken serious steps to reduce generation of hazardous waste. Their interest in this is great, because through minimization they reduce their liability from potential mis-management, and reduce their costs for out-of-state waste disposal. After Hawaii, Alaska has the greatest distance to cover of any state to reach an EPA-permitted disposal site.

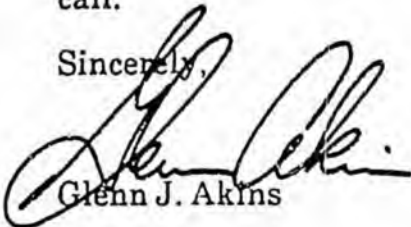
Industry's waste minimization efforts are aided by environmental engineers and industrial hygienists on-staff, and also by consultants such as ourselves. For example, we are in the second year of waste management training for one company, and have trained over 300 of their staff.

Most small businesses do not have these resources. Your legislation, if enacted, will greatly improve the transfer of information and technology to small businesses. The growth of product substitution, waste minimization, and recycling hardware and services over the past two years has been truly amazing. There is a great opportunity to get this information into the hands of those who can use it, along with follow-up technical assistance.

I would like to repeat my recommendation that waste minimization successes be recognized in an annual award. The Anchorage award program has secured valuable publicity for the feasibility and cost effectiveness of waste minimization efforts by small businesses.

Please let me know if I can help in any other way to secure this legislation. If any questions come up on programs underway within large businesses, do not hesitate to call.

Sincerely,



Glenn J. Akins

GJA:wr



Alaska Center for the Environment

700 H Street, Suite 4 • Anchorage, Alaska 99501 • (907) 274-3621

February 27, 1989

Representative Kay Brown
Alaska Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Brown:

Alaska Center for the Environment has been involved in hazardous waste matters in Alaska for the past eight years. Our goals include working for a strong state regulatory program. We support CS HB 106 and HB 107, which would add an office of hazardous waste reduction and recycling to the Department of Environmental Conservation.

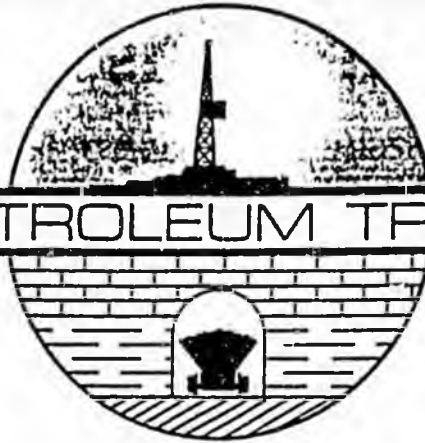
We believe that waste reduction needs to be a priority throughout all the DEC programs, including permits and cleanups, in addition to ongoing waste management. It is good that your bill spells out waste management practice priorities and further enables DEC to implement waste reduction policies. Currently, DEC is unable to do little beyond talk about waste reduction.

We also believe that the best regulatory program combines technical assistance and enforcement. However, we feel it is important that personnel who conduct enforcement inspections are not the same as those who technically assist. The Committee Substitute addresses this issue.

We also are concerned that hazardous waste enforcement continues to be lax in Alaska. DEC and EPA estimated compliance with the federal hazardous waste law (RCRA) to be only 8% (1988 draft State EPA Agreement). While we support the establishment of waste reduction programs to address the long-term solutions, they must be in conjunction with adequate enforcement. Enforcement and penalties serve as incentive to reduce hazardous waste generation, without which continuing illegal disposal will leave little motivation for obtaining technical assistance. For this reason, we also urge you to carefully assess the proposed DEC budget to ensure that enforcement has been given enough funding, especially relative to existing levels of technical assistance.

Sincerely,

Kristine Benson
Hazardous Waste Specialist



MINING AND PETROLEUM TRAINING SERVICE

2 March 1989

Mr. Eric F. Meyers
Legislative Assistant
Office of Representative Kay Brown

Dear Mr. Meyers:

Thank you for the information you provided on HB106 regarding reduction of hazardous waste in Alaska. The OTA brief was a concise summary of our own position on the matter.

MAPTS is a division of the University of Alaska, Anchorage charged with, among other duties, delivery of industrial health & safety training in the mandated areas. We will train about 3500 individuals in FY89 of which about 28% are directly in the field of hazardous waste abatement. MAPTS is in fact one of the largest delivery systems for this training in the country.

The key element of the bill is the "non-regulatory" function. Current enforcement attitudes have created a real paranoia in the state with respect to hazardous materials and waste. This mind set is not mitigated in the least by some of the rhetoric coming from the Center for The Environment and the Trustees for Alaska. In general, press and public statements have been overblown and decidedly oriented toward punishment rather than a sincere desire to alleviate the problem.

We support a non-threatening, cost-effective program for waste reduction if it is properly organized and conducted on the basis of fact and scientific principles rather than personal opinion. This will be a very long term undertaking, and should include a package of educationally sound material for distribution through the secondary school system.

The problems with hazardous materials and waste are the result of long standing American attitudes. We want to flush everything out of sight and out of mind, preferably into someone else's back yard. Education is the only way to change these attitudes. Our present regulatory environment encourages clandestine dumping and disposal. There is no desire to cooperate with a system which is increasingly viewed as punitive and unreasonable. I believe HB 106 is a step in the right direction. It is the only way that Alaska can move from treating the symptoms instead of the cause of the disease.

I wish you success with HB 106. If we may be of further assistance, please contact us at your convenience.

Yours truly,

Dennis D. Steffy, Director
Mining and Petroleum Training Service
University of Alaska Anchorage

Reply to:

██████████ 155 Smith Way, Suite 104
Soldotna, Alaska 99669
907 262-2788



a division of
CCREE
of the
University of Alaska



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

AEL ISSUE PAPER - HB 106 and 107 - REDUCTION OF HAZARDOUS WASTE AT ITS SOURCE

The Alaska Environmental Lobby wholeheartedly supports House Bills 106 and 107. Reducing hazardous waste at its source - a **proactive**, prevention-oriented approach - is a pioneering shift from the traditional, **reactive** waste treatment methods. Less hazardous substances in our society mean less potential for environmental damage, and a decreased risk of spills and human health hazards. Economically speaking, reducing our waste output means industry, the public, and government save money by avoiding costs of clean-ups, treatment, and disposal of wastes. We all benefit from hazardous waste reduction.

We are the creators of our children's world. It is our duty to those who will follow us to develop industries and economies that are sustainable, safe, and far-sighted. Hazardous wastes, too, act in the long-term. They can continue to create problems years after they are generated, and are non-specific in who they effect.

Therefore, we must be united in our attack on hazardous waste. HBs 106 and 107 promote cooperation between regulatory agencies, the public, big industry and small business. The huge amount of money, worry and time saved by a small investment now promises to outweigh the costs of handling problems later. We applaud the plan in HB 106 to provide financial and technological assistance to businesses. Scientific and technological information is complicated and is continually evolving; citizens need help in understanding it.

Alaska's current fiscal situation dictates that we must put our limited funds where they will do the most good. Developing a hazardous waste reduction and recycling office represents a wise investment of state money for long-term cost savings, and at the same time promotes public health, industry efficiency, a healthy economy, and a clean environment. We encourage the committee to support HBs 106 and 107.

Karen Wood
March 1, 1989

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB
KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY
DENALI CITIZENS' COUNCIL • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KACHEMAK BAY CONSERVATION SOCIETY
KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDLIFE ALLIANCE
SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
KNIK KANOERS AND KAYAKERS

2/3



INUIT CIRCUMPOLAR CONFERENCE

March 20, 1989

Representative Kay Brown
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Representative Brown:

The Inuit Circumpolar Conference (ICC) is an international Native organization representing approximately 105,000 Inuit from Alaska, Canada and Greenland. Our objectives include promotion and protection of Inuit rights and interests at the national and international level. We are also extremely concerned about protection of our arctic homeland.

We want to express our strong support for HB 106 and 107 - hazardous Waste Reduction Legislation. The ICC has long been concerned about the environmental effects of hazardous waste in the arctic and in particular, the hazardous waste abandoned and dumped by the military.

In 1986 the ICC General Assembly delegates adopted Resolution 86-07 (enclosed) addressing the "Environmental Causes of Health Problems in the Arctic Regions". This resolution, among others, reflects the widespread concern about hazardous wastes in the arctic. Unfortunately, we have not ever had sufficient funds to completely follow-up on Resolution 86-07. However, the introduction of HB 106 is an important step to responding to the problem.

HB 106, if approved and implemented quickly, will not only provide continued environmental protection but will also protect the public health of both Inuit and non-Inuit throughout the State.

Thank you for taking the initiative to respond to this important matter. If you have any questions, comments or concerns about this letter of support, please contact us.

Sincerely,

Dalee Sambo

Dalee Sambo
Special Assistant

HEAD OFFICE:

P.O. BOX 280, KUJJUAQ, QUEBEC, CANADA J0M 1C0
TELEPHONE: (514) 964-2431

REGIONAL OFFICES:

ALASKA: 429 'D' Street, Suite 262, Anchorage, Alaska 99501, tel: 907-258-6917
GREENLAND: P.O. Box 204, DK 3900, Nuuk, Greenland, tel: 23632
CANADA: 176 Gloucester St., Ottawa, Ontario, K2P 0A6, tel: 613-563-2642

INUIT CIRCUMPOLAR CONFERENCE

Resolution 86-07

Environmental Causes of Health Problems in the Arctic Regions

WHEREAS, old military installations, White Alice sites and DEW Line sites cause environmental and health problems in the Arctic Regions; and

WHEREAS, contamination is causing cancer and environmental problems for the Inuit of the circumpolar regions;

NOW THEREFORE BE IT RESOLVED THAT the Inuit Circumpolar Conference demands that the governments of the United States, Canada and Denmark initiate clean-up of all the old military installations, army sites, White Alice sites, and DEW Line sites as soon as possible; and

BE IT FURTHER RESOLVED THAT the Inuit Circumpolar Conference do an extensive survey on the effects of military installations on the health and well-being of the Inuit in the circumpolar regions.

INTRODUCED THIS 3rd DAY OF AUGUST 1986
ADOPTED THIS 3rd DAY OF AUGUST 1986.

James F. Stoltz
ICC Executive Council Member

August 27, 1986
Date

INUIT CIRCUMPOLAR CONFERENCE

RESOLUTION ICC 77-11

AS AMENDED

PEACEFUL AND SAFE USES OF THE ARCTIC CIRCUMPOLAR ZONE.

Recognizing that it is in the interest of all circumpolar people that the Arctic shall forever to be used exclusively for peaceful and environmentally safe purposes; and

Acknowledging the emphatic contributions to scientific knowledge resulting from a cooperative spirit in scientific investigations of the Arctic;

NOW, THEREFORE, BE IT RESOLVED:

- (a) that the Arctic shall be used for peaceful and environmentally safe purposes only;
- (b) that there shall be prohibited any measure of a military nature such as the establishment of military bases and fortifications, the carrying out of military maneuvers, and the testing of any type of weapon, and/or the disposition of any type of chemical, biological or nuclear waste, or other waste. Further, present waste be removed from the Arctic;
- (c) that a moratorium be called on implacement of nuclear weapons;
- (d) that all steps be taken to promote the objectives in the above mentioned.

INTRODUCED THIS 17th DAY OF JUNE, 1977.

ADOPTED THIS 17th DAY OF JUNE, 1977.

Alaska Water Resources Board
Resolution No. 89-15

Hazardous Waste Reduction

WHEREAS: Many types of hazardous wastes are currently being used in Alaska, with more being introduced each year through the regular market process, and

WHEREAS: Approved commercial off-site facilities to treat, store, and dispose of hazardous waste are presently non-existent; and

WHEREAS: The cost of establishing and maintaining approved hazardous waste treatment, storage, and disposal facilities is great; and


WHEREAS: Improper disposal of hazardous wastes is not only illegal but also has become a major source of ground water pollution, and

WHEREAS: A program of reduction and recycling the amount of hazardous wastes can reduce the amount of wastes requiring disposal;

NOW THEREFORE BE IT RESOLVED: The Alaska Water Resources Board agrees there is need for an active program of hazardous waste reduction; and

BE IT FURTHER RESOLVED: The Board supports the concept of the technical assistance and matching grant program as expressed in HB 106 and HB 107.

Adopted this 9th day of March, 1989
Alaska Water Resources Board



Peg Tileston, Chairwoman
Alaska Water Resources Board



Small Business Development Center of Alaska

TEXT OF TESTIMONY - Prepared by the University of Alaska Small Business Development Center

SBDC TELE-CONFERENCE PRESENTATION TO SENATE LABOR AND COMMERCE COMMITTEE, 3:30 P.M., April 4, 1989..

I am Ben Milam, speaking for the State Office of the Small Business Development Center, Janet Nye Director. Because we work with several thousand small businesses each year, we are involved in any issue concerning small business.

We strongly support HB 106 and 107 as a means to educate small businesses on the problems associated with hazardous waste generation. Past experience indicates that most small business people think hazardous waste is some form of dangerous chemical requiring white suits and special equipment to handle. Very few of them give any consideration to this subject prior to entering into a business venture. In any work as a consultant with firms doing business with government agencies, it is even more critical that there be some form of organized effort to educate small business people concerning the overall costs of hazardous waste generation. We believe these bills will provide the impetus needed to start this education process.

Although it is not addressed in this bill, we want to make it clear that we do not support any legislation to create new regulations on small business. We only support the creation of the education process which these bills will accomplish.

We have one small reservation and would request an amendment to add the University of Alaska Small Business Development Center to the Advisory Committee as an advocate for small business concerns. The SBDC should be added as a sixth member or in lieu of the public member.



OTA REPORT BRIEF

September 1986

Serious Reduction of Hazardous Waste

Waste reduction is an economically sensible response to what many people see as a hazardous waste crisis. Several thousand pounds of hazardous waste are generated annually for every person in the Nation. Many thousands of people have lost their drinking water because of contamination by toxic waste. Across the country there are thousands of sites contaminated by hazardous waste that require billions of dollars for cleanup. An increasing number of lawsuits are being brought by people who claim to have suffered adverse health effects from living near toxic waste sites. Also the number of lawsuits being instituted by the government is mounting rapidly. These suits claim that certain waste generators have not complied with regulations and that generators who have used waste management facilities now on the Superfund list must pay for cleanups.

Waste reduction is critical to the prevention of future hazardous waste problems. By reducing the generation of waste, industry can use materials more efficiently and achieve more certain protection for health and the environment. At the same time, industry can lower waste management and regulatory compliance costs, liabilities, and risks.

Although there are many environmental and economic benefits to waste reduction, over 99 percent of Federal and State environmental spending is devoted to controlling pollution after waste is generated. Less than 1 percent is spent to reduce the generation of waste. The current level of national spending for pollution control is about \$70 billion. Two-thirds of this is spent by industry. Since many hazardous substances are not yet regulated, annual expenditures will, in all likelihood, continue to increase.

OTA finds that reducing waste to prevent pollution from being generated at its source is now a practical way to complement this costly pollution control regulatory system. Because of sporadic and uneven enforcement, the current regulatory system weakens the incentive to reduce waste. Waste reduction, no matter how far it is taken, cannot eliminate all wastes, but it can help to lower costs for environmental protection as regulations continue to expand.

Current pollution control methods often do little more than move waste around. For example: air and water pollution control devices typically generate solid, hazardous waste that goes to landfills and too often leaches from there into groundwater. Many hazardous wastes, such as most toxic air emissions, are

not yet regulated, and regulatory standards for permissible emissions legally sanction the generation of some wastes. Thus, OTA finds that establishing a comprehensive, multimedia approach to reducing wastes going into the air, land, and water is essential.

OTA finds that there is no common definition of waste reduction; there are few or no data on the extent of industrial waste reduction; waste reduction is usually measured incorrectly; and the information that the government collects on waste generation is not useful for waste reduction. If waste reduction is defined to include waste treatment, companies will naturally pay more attention to treatment, which is a familiar activity, than to the reduction of waste. Problems of definition and lack of information should be addressed and ongoing waste reduction efforts should be documented by government, even if decisions to reduce waste remain at the discretion of individual companies.

Despite some claims to the contrary, industry has not taken advantage of all effective waste reduction opportunities that are available. Reducing waste involves more than buying a black box, reading the directions, and plugging it in. Even a simple step toward waste reduction can seem difficult to a company with few technical resources and no obvious place to go for guidance. Reducing waste in an industrial process requires intimate knowledge of all aspects of that specific production process, in contrast to waste treatment, which is essentially an add-on to the end of the process. There are also clear pressures to reduce waste tomorrow, rather than today. The attention and resources given to required pollution control activities limit the amount of thought, time, and money that industry can devote to waste reduction. Some U.S. companies, however, have verified the fact that waste reduction pays for itself relatively quickly, especially when compared to the time needed to comply with regulations, obtain regulatory permits, or site waste management facilities. Some companies are even beginning to sell new products and services that help others to reduce waste.

Waste reduction succeeds when it is part of the everyday consciousness of all workers and managers involved with production—where the waste reduction opportunities are—rather than when it is a job only of those responsible for complying with environmental regulations. A few people with end-of-pipe, pollution control jobs are not in a position to reduce waste by themselves; such efforts must involve upstream workers and facilities.

(over)

There are five distinct approaches that industry can take to reduce hazardous waste: 1) change the raw materials of production, 2) change production technology and equipment, 3) improve production operations and procedures, 4) recycle waste within the plant, and 5) redesign or reformulate end-products. Among the opportunities that exist for common processes and wastes are: a) using mechanical techniques rather than toxic organic solvents to clean metal surfaces, b) using water-based raw materials instead of materials based on organic solvents, and c) changing plant practices to generate less hazardous wastewater.

So far government has not required waste reduction. OTA finds that it would be extraordinarily difficult for government to set and enforce waste reduction standards for a myriad of industrial processes. The impact on industry, particularly on troubled manufacturing sectors, could be substantial. Alternatively, the United States could move to an economically sensible environmental protection strategy based on both pollution control (waste management) and pollution prevention (waste reduction) with the Federal Government providing leadership and assistance in the following ways.

First, through policy development, education, and oversight, Congress could help industry and the Nation profit from seeing waste reduction not as some unique technology, but as a field ready for innovative engineering and management. These opportunities are embedded in every part of the industrial produc-

Definitions Used in This Report

Waste Reduction:

In-plant practices that reduce, avoid, or eliminate the generation of hazardous waste so as to reduce risks to health and environment. Actions taken away from the waste generating activity, including waste recycling or treatment of wastes after they are generated, are not considered waste reduction. Also, an action that merely concentrates the hazardous content of a waste to reduce waste volume or dilutes it to reduce degree of hazard is not considered waste reduction. This definition is meant to be consistent with the goal of preventing the generation of waste at its source rather than controlling, treating, or managing waste after its generation.

Hazardous Waste:

All nonproduct hazardous outputs from an industrial operation into all environmental media, even though they may be within permitted or licensed limits. This is much broader than the legal definition of hazardous solid waste in the Resource Conservation and Recovery Act, its amendments, and subsequent regulations. Hazardous refers to harm to human health or the environment and is broader than the term "toxic." For example, wastes that are hazardous because of their corrosivity, flammability, explosiveness, or intoxicousness are not normally considered toxic.

Waste Reduction and National Policy

"The Congress hereby declares it to be the national policy of the United States that, wherever feasible, the generation of hazardous waste is to be reduced or eliminated as expeditiously as possible. Waste nevertheless generated should be treated, stored, or disposed of so as to minimize the present and future threat to human health and the environment."

From the *Resource Conservation and Recovery Act*, as amended by U.S. Congress in November 1984. This policy statement is supported by waste minimization provisions also added to the Act.

tion system. There is no way to predetermine the amount of waste reduction that is possible; its technical and economic feasibility depend on the characteristics, circumstances, and goals of specific waste generators. Success in reducing waste depends on the ability of organizations to modernize, innovate, and cut costs, thereby increasing profits and reducing long-term liabilities. Thus waste reduction could be used as a measure of performance as energy efficiency and productivity often are.

Second, there are a number of possible legislative actions that could clarify the definition of waste reduction, spur better collection of information on waste reduction, and encourage waste generators to devote more attention to the subject. If the Federal public policy goal is rapid and comprehensive hazardous waste reduction, then a strategy based on government leadership and assistance rather than on prescriptive requirements is likely to be the most effective. For example, Congress could: 1) create an Office of Waste Reduction with an Assistant Administrator within EPA, 2) create a grants program to develop generic or widely transferable technical support for waste reduction, 3) through new comprehensive waste reduction legislation require detailed reporting by industry on past waste reduction actions and plans for future efforts, 4) reward and facilitate waste reduction by offering industry concessions from existing pollution control regulatory requirements, or 5) create and use independent State Waste Reduction Boards to implement programs. Setting a national waste reduction goal of perhaps 10 percent annually could help convert the long stated importance of waste reduction into a true priority and reduce annual environmental spending substantially, ultimately by billions of dollars.

Copies of the OTA report, "Serious Reduction of Hazardous Waste: For Pollution Prevention and Industrial Efficiency," are available from the U.S. Government Printing Office. The GPO stock number is 052-003-010-18-8; the price is \$12.00. Copies of the report for congressional use are available by calling 4-8996. Summaries of reports are available at no charge from the Office of Technology Assessment.

PACIFIC NORTHWEST HAZARDOUS WASTE ADVISORY COUNCIL

Resolution #2: **Recommending a Hierarchy of Hazardous Waste Management Options for the Pacific Northwest**

.....
Whereas, hazardous waste management in the Pacific Northwest creates public policy issues which are regional in nature,

Whereas, the Pacific Northwest Hazardous Waste Advisory Council believes that it is important that the governmental entities of the Pacific Northwest share the same priorities with respect to the management of this region's hazardous wastes so that policies can be consistent within the region,

Whereas, the Council recognizes that the traditional "end-of-the pipe" pollution abatement strategy no longer constitutes a sufficient approach, in and of itself, to assure adequate human health and environmental protection and to mitigate the rising costs and liabilities associated with hazardous waste management,

Whereas, the Council recognizes that reduction of hazardous waste serves the long-term interests of the public and the business community to better protect human health and the environment than any other option available, as such efforts may: reduce the need for pollution control expenditures; avoid substitution of one form of pollution for another; improve workplace safety; reduce the liability associated with hazardous pollutants; and, improve the overall efficiency and cost-effectiveness of industrial facilities,

Whereas, the Council believes that decisions regarding the need for treatment, storage and disposal capacity in the region should be made in full recognition of the importance of hazardous waste reduction and the impact of such reduction activities on hazardous waste volumes,

Whereas, the Council recognizes that not all hazardous waste streams will pursue the same path through any hazardous waste management hierarchy; that some options are more appropriate for certain hazardous wastes than for others and that this determination will be made on a case specific basis depending on what works best in the individual circumstance,

Whereas, the Council believes that, in order to create a long-term solution to the problem of hazardous waste, it is important for public agencies, businesses and households to address the challenge of appropriate hazardous waste management, through the general application of the following hazardous waste management hierarchy:

- by reducing, at its source, the amount of hazardous waste generated by any manufacturing process or activity,
- then, by recycling and reusing, either on or off-site, whatever hazardous constituents are required,

- then, once a hazardous waste can be reduced or recycled no further, by reducing the volume or the toxicity of the hazardous waste through biological, chemical and physical treatments,
- then, once a hazardous waste has been reduced, recycled, and/or can receive no further physical, chemical and/or biological treatment, then, if appropriate for the waste stream, by reducing the volume or toxicity of the hazardous waste or hazardous waste residue through incineration,
- then, for any remaining hazardous wastes and/or hazardous residues from earlier treatment/incineration, by solidifying or in some way stabilizing them before land disposal so as to protect air, water and land quality to the greatest extent possible,
- and finally, land disposal of hazardous waste,

Whereas, the Council believes that it is incumbent on the hazardous waste generator and treatment or disposal operators to apply the best demonstrated available technologies at each stage of this hierarchy of hazardous waste management options,

Whereas the Council recognizes that the technological development and implementation of hazardous waste management options is a dynamic process requiring the reevaluation of this hierarchy from time to time,

Whereas, the Council recognizes that establishing hazardous waste reduction and recycling as the highest priorities in hazardous waste management is a fundamentally different approach from "end-of-pipe" pollution control strategies, and as a result, those households, businesses and public agencies which do not have the technical or financial resources to maximize hazardous waste reduction potential may require assistance in implementing such an approach and identifying the appropriate technologies for their specific business situation,

Now, therefore, be it resolved that we, the Pacific Northwest Hazardous Waste Advisory Council, do recommend to the governmental entities of the region that they:

- adopt the foregoing hierarchy of hazardous waste management options to guide their decisions about the need for hazardous waste reduction programs, and the need for various forms of treatment, storage and disposal capacity in the region; and,
- provide research, education and technical assistance to businesses, particularly small and medium-sized firms, governments and households in their hazardous waste reduction efforts, and encourage the sharing of information between businesses and governments,

.....
 Approved by the Pacific Northwest Hazardous Waste Advisory Council, March 11, 1989.

Recommended Hierarchy of Hazardous Waste Management Options

The Pacific Northwest Hazardous Waste Advisory Council recommends that the states, other governmental agencies in the region and the private sector adopt the following priorities for the management of their hazardous waste streams. The Council understands that not all of these hazardous waste management options are suitable for use with every waste stream.

Hazardous Waste Reduction

Hazardous waste reduction is essentially pollution prevention - finding ways to make products without also creating hazardous waste. Generally, this involves substituting non-hazardous inputs for hazardous ones, redesigning processes to be more efficient, including improving housekeeping practices to prevent leaks and spills, and finally, preventing the dilution and mixing of wastes which increase hazardous waste volumes, complicate handling practices, and hinder recycling/reuse efforts. Source reduction is the only management option on the hierarchy which by definition creates no residuals requiring further treatment or disposal, for there can be no residuals from "hazardous waste not generated."

Hazardous Waste Recycling

Hazardous waste recycling most often occurs when hazardous wastes are treated so that they can be reused directly in the production process or shipped to another firm as a production input. Hazardous waste recycling reduces the total amount of hazardous products required by production processes. Recycling may be done in-line, intra-plant or inter-industry. Recycling generally leaves residuals which may require further treatment prior to disposal.

Chemical/Physical/Biological Treatment

Hazardous waste treatment, in this context, includes any number of activities done alone and in combination, on and/or off-site, which decrease the volume or toxicity of hazardous waste through physical, chemical, biological processes. These include processes which: lessen the volume of hazardous wastes through filtration, compaction, evaporation, centrifugation, etc.; change either the form or chemistry of a hazardous waste through coagulation, neutralization, oxidation/reduction, electrodialysis, etc.; and biologically degrade hazardous waste streams into more manageable components. These treatment methods may result in wastes which can be directed to local sewage plants or solid waste landfills or in residuals which may require further processing along this hierarchy of hazardous waste management options.

Incineration

Incineration is the thermal destruction of a waste stream. Some hazardous wastes are incinerated to reduce waste volume to that of the remaining ash. Others, such as carcinogenic wastes, are incinerated to detoxify them. The ash resulting from incineration requires land disposal.

Like physical, chemical and biological treatments, incineration reduces the volume or toxicity of a hazardous waste stream. (Although incineration may concentrate in the ash those toxic elements which were not destroyed - if the waste contained heavy metals for instance.) As it is often used on the residuals of physical, chemical and biological treatments, it is considered a separate step on this management hierarchy. It thus represents a further step in the logical progression of the hierarchy - with each step designed to further reduce the volume or toxicity of hazardous waste streams. However, the Council recognizes that there may be some hazardous wastes which appropriately move directly from waste reduction and recycling to incineration without prior treatment.

Solidification/Stabilization

Solidification and stabilization, in this context, are terms used to describe the various ways a hazardous waste may be treated prior to landfilling so as to protect the air, water and quality from migration of its contaminants. This may involve solidifying the hazardous waste and may also involve encapsulating the waste in some impervious material. These treatments may increase the overall volume of material going into a landfill, as hazardous materials are combined with non-hazardous materials such as cement or glass.

Land Disposal

Land disposal of hazardous wastes - generally in private and commercial landfills and hazardous waste piles - is lowest priority on the management hierarchy. In the past, land disposal has been associated with problems of air, water and ground contamination. Current regulations greatly raise the operating standards of land disposal facilities. As well, EPA's Land Disposal Restrictions will establish the minimum pre-treatment standards and Best Demonstrated Available Technologies for most, if not all, RCRA hazardous waste which had previously been managed at a land disposal facility. In this way, most hazardous wastes will undergo some treatment at a higher rung on the hierarchy prior to land disposal, if land disposed at all. Both these measures are designed to protect the environment to the maximum extent feasible.

March 11, 1989

ALASKA STATE AFL-CIO

2501 Commercial Dr.
Anchorage, Alaska 99501
(907) 258-6284

819 1st Ave.
Fairbanks, Alaska 99701
(907) 456-2030



MANO FREY
Executive President

April 11, 1989

**TO: SENATOR BETTYE FAHRENKAMP, CHAIR, SENATE RESOURCES COMMITTEE
AND SENATE RESOURCE COMMITTEE MEMBERS**

RE: HB 106

The Alaska State AFL-CIO urges your support of HB 106, which we feel will greatly reduce occupational health risks. The proposed legislation, as we view it, is a health and safety issue that will have beneficial effects well into the future. The increased awareness about hazardous materials on the job, for both management and labor, can only result in an improvement in the cleanliness and safety of operations for employees.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads 'Pat Smutz'.

Pat Smutz
Business Representative
COPE Director

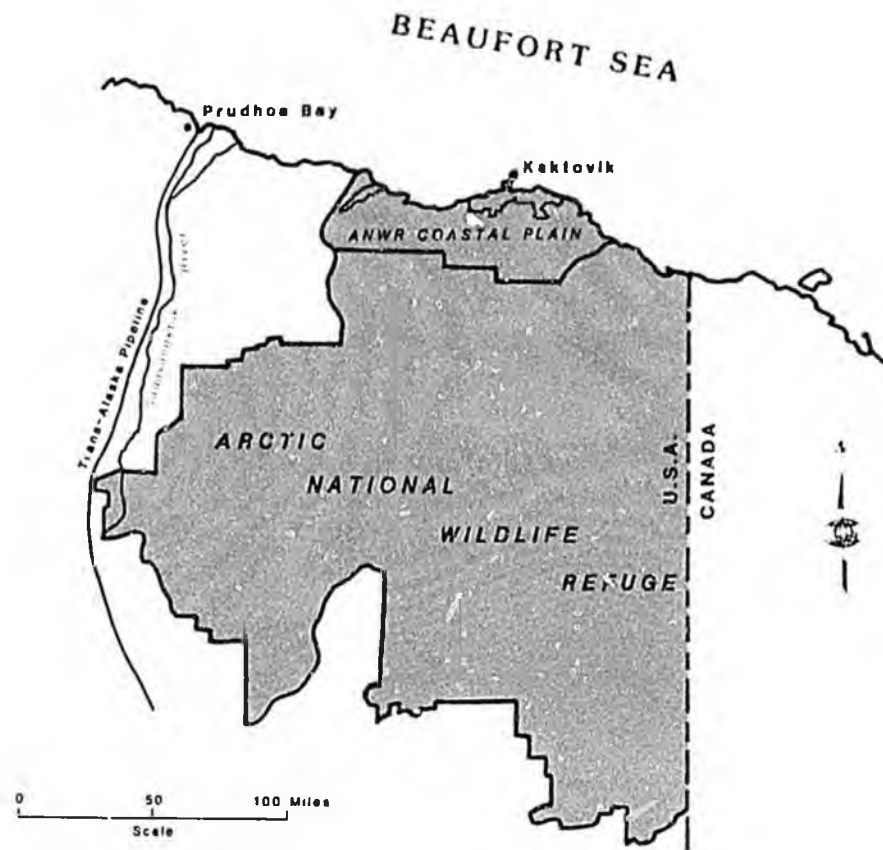
cc: Mano Frey

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FILE 1

An Alaskan View of ANWR



A Commonwealth North Report

About the Authors of this Report

Commonwealth North's ANWR Committee is made up of seventeen Alaskans, all of whom have had extensive experience in public and community service, both local and statewide. On the committee are four former members of the Alaska legislature, four former members of the governor's cabinet, a former Speaker of the House, three judges, and a retired general. Among them, they have a total residence in the state of 694 years, averaging 41 years each. Representing both Republicans and Democrats, business and government professions, these seventeen individuals reached unanimous conclusions on all of the material in this report.

— Foreword —

In February of 1987, the Board of Directors of Commonwealth North commissioned a committee to study the issues involved in opening the Arctic National Wildlife Refuge to oil and gas development. The charge given to the committee was to formulate a sound public policy position on ANWR and to work to build an Alaska consensus behind this position.

For 24 months, the Committee has tracked the issue, kept the Board apprised, participated in efforts to inform the public, and published a full-page newspaper advertisement in August of 1987 during the visit to Alaska of several Congressional committees (Appendix B).

Despite a considerable Congressional effort in 1988, legislation to open ANWR to oil and gas exploration and development was unsuccessful. However, a House bill that would have placed ANWR in a wilderness category and therefore completely off limits to energy production, also failed. During the debate several side issues often stole the limelight from the central issue. Those side issues included proposed land trades for tracts within ANWR, the State-Federal division of hoped-for royalties, and the conditions under which organized labor would assist with the passage of legislation.

In order to capture the experience, thinking and information amassed by this Committee, we have written this report. With President George Bush's strong support, as voiced in his first State of the Union address, 1989 holds new promise for the passage of favorable ANWR legislation. The information included here can help Alaska develop a unified, clear position on what a federal law to encourage oil and gas exploration and development in ANWR should include.

It is urged that the people of Alaska use these findings to further educate themselves on the ANWR questions. Their wisdom and energy is needed to achieve a favorable outcome to this issue, so vital for both the state and nation.

Max Hodel, Chairman

Founding president of Commonwealth North; creator and chairman of Operation Breakthrough Anchorage; retired Anchorage businessman

Ric Davidge

Independent business and trade consultant; former special assistant to the U.S. Secretary of the Interior

Joe L. Hayes

Former Speaker of the House, Alaska State Legislature; investor/businessman

Carroll Livingston

Petroleum engineer; ran NPRA oil exploration team for Husky Oil

J. L. McCarrey

Attorney, former U.S. District Judge, Territory of Alaska

Ralph Moody

Superior Court Judge (retired); former territorial and state Senator; former State Attorney General

Malcolm B. Roberts

Former special assistant to U.S. Secretary of the Interior; Executive Director, Commonwealth North

Pat Ryan

Mining engineer; prominent activist in Democratic politics

Meredith Sykes

Part owner, Alaska Business Monthly magazine; former assistant to Senator Frank Murkowski

John Hoyt, Vice Chairman

Brig. General (ret), Alaska National Guard

Joe Griffith

Colonel, retired, U.S. Air Force; budget analyst for the Anchorage Municipal Assembly

Charles F. Herbert

Former territorial and state legislator; former Alaska State Commissioner of Natural Resources; mining engineer

Loren Lounsbury

President Commonwealth North; former Alaska State Commissioner of Commerce and Economic Development

Timothy Middleton

Attorney; former Assistant Attorney General, State of Alaska

Frank Reed, Sr.

Former chairman Anchorage Charter Commission; retired banker

Irene Ryan

Former member Alaska State Senate; former Alaska State Commissioner of Economic Development; Alaskan of the Year 1986

James Singleton

Judge, Alaska Court of Appeals; former Superior Court Judge

Darrell Chambers

Commonwealth North Hartig Fellow, 1989; MBA candidate, UAA; (production assistant)

The Alaska Statehood Act (Public Law 85-508 H.R. 7999) granted the fledgling state substantial lands to be claimed within 35 years of admission. 102,550,000 acres of vacant, unappropriated, unreserved land could be selected with no stipulation on usage. A qualification was a national defense withdrawal of approximately one-half of the state north and west of a line along the Porcupine River to the Yukon River to longitude W 160 to Holy Cross, to the mouth of the Kuskokwim River thence south to N 57 30'. Lands in this area could not be selected without specific approval of the President or his designated representative. The lands presently designated as the Arctic National Wildlife Refuge (ANWR) fall within the aforementioned national defense withdrawal.

In 1980, Congress changed the Arctic Range into a Refuge and expanded it to 19 million acres.

A 1960 administrative action established the Arctic National Wildlife Range as a federal conservation unit, originally covering 8.9 million acres in northeastern Alaska. In 1980, Congress addressed the boundaries of the Range and the land management principles which should govern its future use in the Alaska National Interest Lands Conservation Act (ANILCA). In so doing, Congress doubled the size of the conservation unit to 19 million acres and redesignated the greatly expanded area as the Arctic National Wildlife Refuge (ANWR).

ANWR borders the Arctic Ocean to the north. Its western boundary lies 55 miles east of Prudhoe Bay and the trans-Alaska pipeline. Its eastern extremity is the Alaska-Canada border and its southern boundary tails off well down the southern slopes of the Brooks Range into the Yukon River drainage. It is important to note that in ANILCA, Congress also designated 8 million acres (approximately 45% of the expanded ANWR) as Wilderness in accordance with subsection 3(c) of the Wilderness Act. Under this designation, no development activity of any kind is permitted.




1.5 million acres of ANWR were identified as having high oil and gas potential.

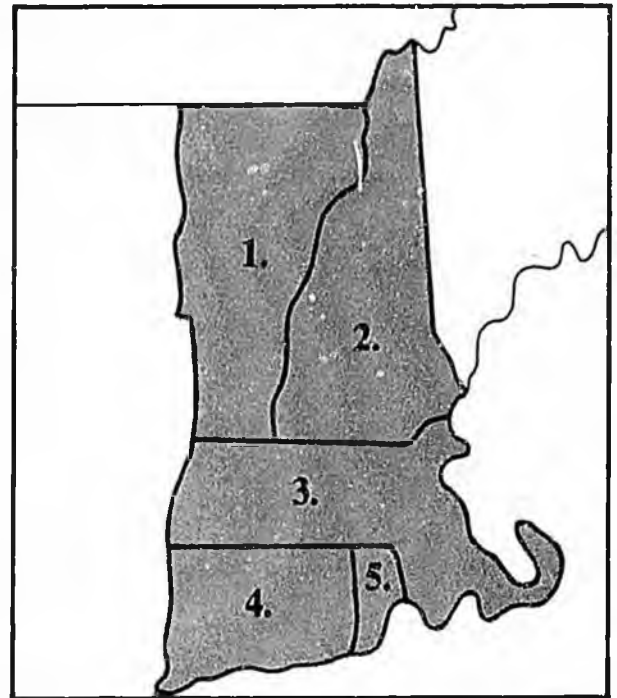
Congress identified an additional 1.5 million acres (approximately 8% of ANWR's total acreage) as having high oil and gas potential. This area, in the western portion of ANWR's coastal plain, is referred to in ANILCA as the "1002 Coastal Plain Area." It was singled out for further study of its oil and gas and wildlife resources to assist the Congress in a subsequent decision as to whether it should be:



At issue is oil development in the Coastal Plain (or 1002 area) which represents 8% of ANWR.

ANWR
19 million acres

-  KAKTOVIK INUPIAT CORPORATION/ARCTIC SLOPE REGIONAL CORPORATION LANDS - 92,000 Acres
-  ANWR COASTAL PLAIN Section 1002 Study Area - 1.5 Million Acres
-  ANWR WILDERNESS AREA 8 Million Acres



1. New Hampshire	5.9
2. Vermont	6.1
3. Massachusetts	5.3
4. Rhode Island	.7
5. Connecticut	3.2
	21.2 million

*ANWR is almost
as large as
five of the
East Coast
states combined.*

1. opened to oil and gas development;
2. managed as a Wilderness area; or
3. subjected to some other alternative management regime.

The most promising onshore frontier for major oil and gas prospects in the entire nation.

The oil potential of this area goes beyond mild speculation. It is generally agreed that the 1002 Coastal Plain area in ANWR contains the most promising onshore frontier area for major oil and gas prospects in the entire nation. Since 1980, however, all public lands in the Coastal Plain have been withdrawn from the stipulations of the Mineral Leasing Act and no development may be undertaken on the Coastal Plain until expressly authorized by an act of Congress.

The Coastal Plain also contains important fish and wildlife resources. These resources were included in the 1002 study conducted by the U.S. Fish and Wildlife Service within the Department of the Interior.

The Section 1002 Report

Title X of ANILCA authorized and directed a number of studies and reports on the oil and gas potential and fish and wildlife resources of the Coastal Plain of ANWR. Section 1002(h) of Title X directed the Secretary of the Interior to prepare a report together with his recommendations "...with respect to whether further exploration for, and the development and production of, oil and gas within the Coastal Plain should be permitted..."

A 5-year study by the U.S. Fish and Wildlife Service concluded that oil and gas leasing should be allowed.

The U.S. Fish and Wildlife Service completed the study, and the Secretary's report was submitted to the Congress on April 20, 1987. The 5-year study concluded that oil and gas leasing should be allowed, and, in spite of some displacement, the wildlife populations on the Coastal Plain would not suffer major disruption or harm. Congress was called upon to review the Secretary's report and to decide the future management regime that will govern activities on the ANWR Coastal Plain. Congress responded with a lengthy series of hearings.

In 1988, legislation to open ANWR passed the Senate Energy Committee and the House Merchant Marine and Fisheries Committee. No bill, however, reached the floor of either house.

Alaskans generally applauded this legislation but became concerned when they discovered that some of the provisions of these bills ran counter to and in conflict with the promises and pledges made to the State of Alaska at the time it entered the Union.

For example, the Constitution of Alaska states that "...it is the policy of the state to encourage the settlement of its land and the development of its resources..." (Article VIII). It is clear that the Statehood Act intended land to be made available to the new state, and its natural resources were meant to be the basis of its economy.

A growing list of Congressional legislation and federal administrative actions since Statehood have been seen by many Alaskans as thwarting the intent of the Statehood Compact. If legislation to open the ANWR Coastal Plain for oil exploration is not carefully drafted, these abuses will continue, raising grave constitutional issues.

Unless ANWR legislation is carefully drafted, grave constitutional issues will be raised.

As the U.S. Fish and Wildlife Service was finishing the 1002 report, certain elements of the environmental movement marshaled their forces to discredit it. Most celebrated of the early opposition arguments focused on the fate of the Porcupine caribou herd, one of 20 caribou herds in Alaska. The Porcupine herd spends much of the year in Canada but often calves in the 1002 area.

The Porcupine caribou herd chose not to calve in the 1002 area in 1988.

Governor Steve Cowper embraced the idea that a "core calving area" be set aside for further study. Though disputed by many biologists, this concept defused the caribou issue in Congress. This strategy was opposed by the oil industry because of their successful record in Prudhoe Bay regarding wildlife, especially the Central Arctic caribou herd. Biologically, no such calving area exists, they argued.

Adding to the credence of that argument, the herd chose not to calve in the 1002 area in 1988. When the militant anti-ANWR groups realized that Congress was no longer listening to their claims, they shifted the debate from caribou to other real or perceived concerns.

From the outset, some conservation groups took a more balanced view of the Arctic Coastal Plain, perhaps because the area is nearly flat in topography, offers little scenic beauty except for a few days in early summer, and for anyone who knows the area first hand, ranks far below many other wildlife habitat areas both in Alaska and throughout the United States.

The topography of ANWR's Coastal Plain is flat and unforgiving, and the wildlife population sparse.

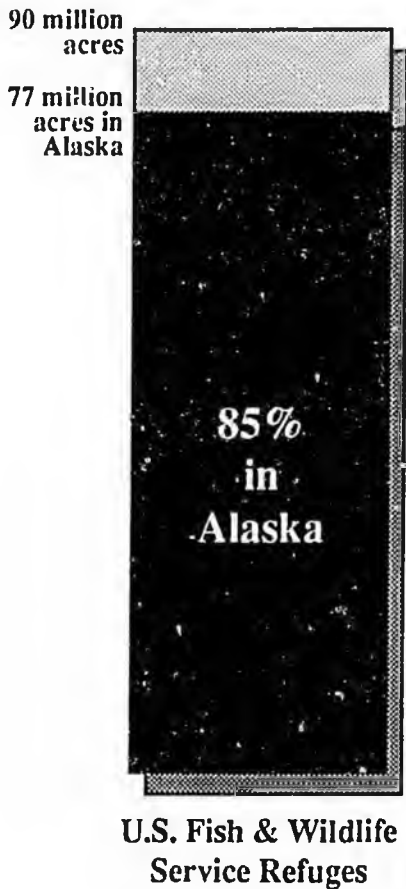
The Wilderness Society, however, was adamant in its opposition to resource extraction in the 1002 area because of its commitment to a "land ethic." Their spokesmen placed the sanctity of lands which experience a minimum of human activity above all else. This group launched a nationwide campaign, including a March 1988 fund-raising solicitation which made the following claims:

"(The Arctic Coastal Plain is) an American Serengeti teeming with wildlife."

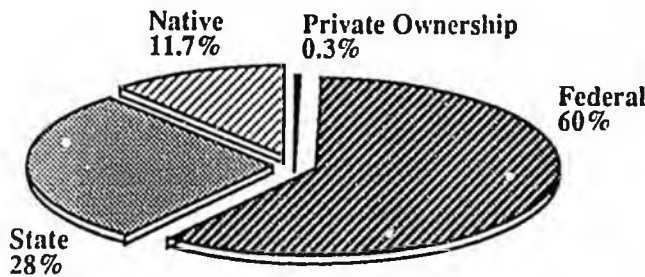
Editors' Note: The wildlife population estimates made by the USF&W Service in the 1002 report indicated the following:

Most of Alaska is already off limits to resource development.

Alaska leads the nation in National Parks, Wildlife Refuges and designated Wilderness



Who owns Alaska's 378 million acres?



Source: Alaska Resource Development Council

Source: U.S. Department of the Interior

An Alaskan View of ANWR

dens 1-2. Birds and waterfowl listed were geese 105,000, ducks 35,000, swans 400-500, golden eagles 25-75, peregrine falcon eyries 2 (formerly occupied).

"The last untouched piece of America's Arctic Coastline that is not already in the hands of BIG OIL."

Editors' Note: Less than 10% of America's Arctic coastline, from Pt. Hope opposite Siberia, West to the Canadian border, has been put up for lease for oil exploration.

"An unparalleled national treasure will be irretrievably lost."

Editors' Note: The oil reservoir beneath Prudhoe Bay is already two-thirds depleted. Once the oil and gas have been produced, there is little motivation for people to remain living in those conditions. Within a few generations, this area will be returned to wilderness.

"Expected output would only average about 2% of the nation's demand for oil over the life of the field."

Editors' Note: Until wells are drilled no one will know the dimension of the oil reserves, if any, beneath the 1002 area.

"Would we dam the Grand Canyon to generate electricity or tap Old Faithful for its geothermal power?"

Editors' Note: Only a first-hand view of the coastal plain can help Americans decide whether it ranks in beauty and importance with the Grand Canyon and Old Faithful. Most old Arctic hands describe it as treeless, nearly flat topography, subjected to 60 to 70 degrees below zero temperatures in mid-winter and clouds of voracious insects in the summer.

"Interior Secretary Hodel even claims our national security is at stake. This claim is nonsense!"

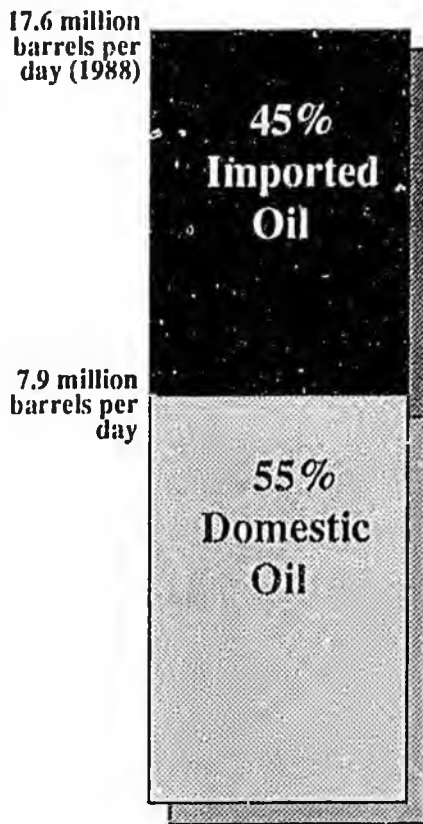
Editors' Note: North Slope oil accounts for 25% of all U.S. domestic output. The reader must decide whether this is a national security issue.

The previous month, the Sierra Club ran an ad in a national magazine which included the following:

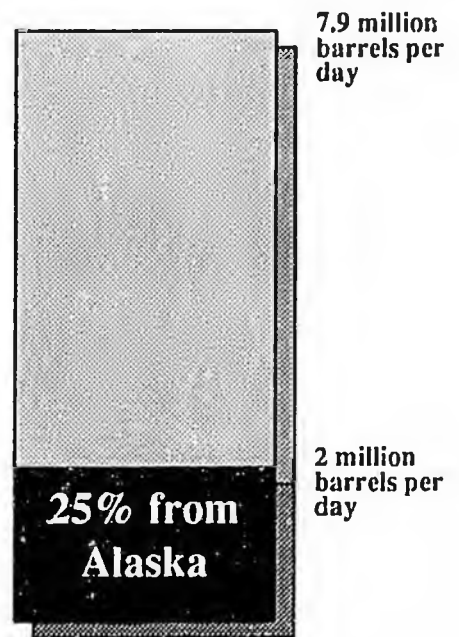
Less than 10% of America's Arctic coastline has been put up for lease for oil exploration.

Only a first-hand view can help Americans decide the aesthetic values of ANWR.

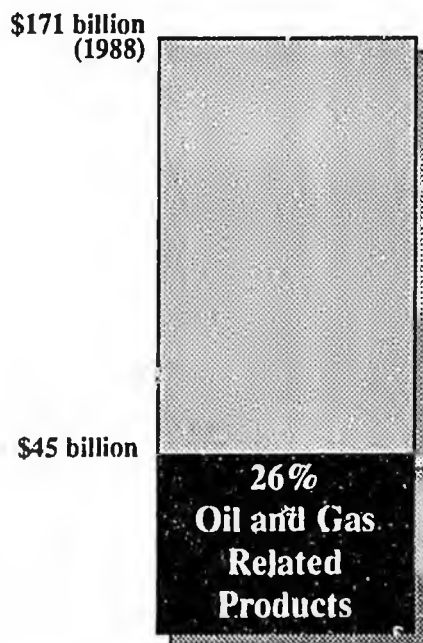
Is ANWR a national security issue? You decide.



Daily U.S. Oil Consumption



U.S. Domestic Oil Production



U.S. Trade Deficit

Source: Alaska Oil & Gas Association

Many Congressmen flew to Alaska, toured the ANWR area and returned with first-hand experiences far different from the rhetoric of the wilderness advocates.

Resource development, wildlife and environmental protection can go hand in hand.

"In Alaska there is a place as magnificent and rare as the Grand Canyon."

"Approval to drill will destroy what is left of Alaska's north coast."

— Excerpts from Sierra Club ad, February '88, *Modern Maturity Magazine*.

These hyperboles created a backlash amongst the members of the U.S. Congress serving on the committees addressing the ANWR issue, undermining the extremist anti-ANWR position. Many Congressmen flew to Alaska, toured the ANWR area and returned with first-hand experiences and vivid memories far different from the rhetoric of the wilderness advocates. Reasonable minds in Congress, the media, and the American public recognized that the oil industry has done an outstanding job of caring for the North Slope environment during the development of Prudhoe Bay, Kuparuk, and more recently the Lisburne and Endicott fields.

These examples have demonstrated that resource development, wildlife and environmental protection can go hand in hand.

(right) ANWR's 1.5 million acre coastal plain (the 1002 area) is flat and treeless and may contain vast oil and gas reserves. (photo courtesy of U.S. Fish and Wildlife Service)



There are two ANWR's

(right) The Brooks Range is part of a 9 million acre designated Wilderness within ANWR. This beautiful area is already completely off limits to resource exploration and development. (photo courtesy of U.S. Fish and Wildlife Service)



The Statehood Compact

The Alaska Statehood Act is a compact between Congress and the people of Alaska.

The Statehood Compact theory maintains that the Alaska Statehood Act is more than an act of Congress. Rather it is an agreement or contract between the United States and the people of Alaska. The act, in accordance with its terms, had to be ratified by the people of Alaska. A strict interpretation of the Compact Theory would hold that the Statehood Act (or compact) cannot be amended by Congress without the approval of the other party to the compact, the people of Alaska. The theory generally accepted is that while it can be amended, the Act cannot be amended to diminish the rights of the people of Alaska without their consent. This theory has been affirmed by the U.S. Supreme Court in at least one case, a case from Wisconsin, *Beecher v Wetherby* 95 U.S. 515 (1877).

Even the opponents of statehood for Alaska recognized the nature of the Act. Senator Hugh Butler from Nebraska, a vocal opponent of statehood for Alaska, said in debate on the bill:

A bill which grants statehood is a grant which cannot be revoked, unless both sides agree.

“A bill which grants statehood is not some minor piece of legislation, but is a major function of the national legislature. We cannot undertake to perform that function without reminding ourselves that we are asked to make a grant which cannot be revoked. We cannot, therefore, consider these bills as we would ordinary legislation, in the sense that ordinary legislation may be amended or changed in subsequent years as experience dictates.”

The consent of the Alaska people is required

Current ANWR legislation includes a “Blackmail Clause.”

That the above theory is not taken lightly was demonstrated by Section 604 of the Senate Energy Committee ANWR bill (S.2214) considered by the last Congress (1988). This section provides that: (1) any litigation testing the validity of the ANWR bill as enacted must be brought within 90 days; (2) should suit be filed, no lease sales in the area will be conducted until the litigation is decided and; (3) should there be a judicial decision invalidating any provision of the act, the whole act will be invalid. Taken together, this is referred to as the “Blackmail Clause.” The Blackmail Clause is aimed at the provision of the bill which reduces the State’s share of revenues from 90% to 50%. This provision is contrary to the Statehood Act which stipulates that royalties earned

RECORD VOTE SEEN TOMORROW

When Alaskans ratified the Statehood Act, the promise of a 90% royalty share was clear.



HIS WINGS ARE DRAGGING

13 hole head and slightly above. It was in a boy's clothing store on a Saturday. The man was wearing a dark suit and tie. He was looking at a display of clothing. The store was crowded with people. The man was looking at a display of clothing. The store was crowded with people.

Nautilus Gets Cheering Welcome From New York

NEW YORK (AP)—The Nautilus, the first nuclear-powered submarine, arrived in New York City today for a cheering welcome. The submarine was escorted by the USS Intrepid. The Nautilus was the first of a new class of nuclear-powered submarines. It was built by the General Dynamics Corp. in Groton, Conn. The Nautilus was launched in 1954 and completed its first voyage in 1955. It was the first of a new class of nuclear-powered submarines. It was built by the General Dynamics Corp. in Groton, Conn. The Nautilus was launched in 1954 and completed its first voyage in 1955.

CAP PILOT ASSISTS IN FINDING LOST HUNTERS

The pilot of a C-47 transport plane assisted in finding two lost hunters in the mountains of Alaska. The pilot was flying over the mountains and saw the hunters. He landed the plane and helped them. The hunters were lost for several days. The pilot was a member of the Civil Air Patrol. He was flying a C-47 transport plane. He was flying over the mountains and saw the hunters. He landed the plane and helped them. The hunters were lost for several days. The pilot was a member of the Civil Air Patrol. He was flying a C-47 transport plane.

Absentee Voting Ends

Absentee voting for the statehood referendum ended today. The referendum will be held tomorrow. The referendum is on the statehood act. The referendum is on the statehood act. The referendum is on the statehood act. The referendum is on the statehood act. The referendum is on the statehood act.

Third Division To Become New Voting District

The Third Division of the state will become a new voting district. The division is the largest in the state. It will be one of the largest voting districts. The division is the largest in the state. It will be one of the largest voting districts. The division is the largest in the state. It will be one of the largest voting districts.



SECRETARY SEATON

Statehood Is Called Big Achievement

Secretary of State William J. Seaton called the passage of the statehood act a big achievement. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska.

Body Found Near Hope

A body was found near the town of Hope in Alaska. The body was found in a wooded area. The body was found in a wooded area. The body was found in a wooded area. The body was found in a wooded area. The body was found in a wooded area.

U.S. Shooter Tops Russians

A U.S. shooter topped the Russians in a shooting competition. The shooter was from Alaska. The shooter was from Alaska. The shooter was from Alaska. The shooter was from Alaska. The shooter was from Alaska.

FWS Chief, Two Others Missing In TL

The chief of the Fish and Wildlife Service and two other officials were missing in a plane crash. The plane was flying over the mountains. The plane was flying over the mountains. The plane was flying over the mountains. The plane was flying over the mountains. The plane was flying over the mountains.

Statehood Fate Hinges On 3-Way Referendum

The fate of statehood for Alaska hinges on a three-way referendum. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow.

Primary Voting Facts

Primary voting facts for the statehood referendum. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow. The referendum will be held tomorrow.

Seaton Urges 'Yes' Vote

Secretary of State William J. Seaton urged voters to vote 'yes' on the statehood referendum. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska. He said that the act was a landmark in the history of Alaska.

Seaton Urges 'Yes' Vote

(Continued from Page 1)
"The nation of Alaska, as a free American citizen, has a right to keep their lands. They have a right to keep their lands. They have a right to keep their lands. They have a right to keep their lands. They have a right to keep their lands."

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Official Ballot for Special Election -- Proposition No. 1. Tuesday, August 26, 1958. Vote on the following proposition YES or NO: (1) Shall Alaska immediately be admitted into the Union as a State? Mark 'X' in the square below to designate your "adoption" or "rejection" of this proposition. YES (Adoption) NO (Rejection)

The land granted on the new Statehood Act far exceed any ever made in any previous statehood bill.
6. "The act reaffirms Alaska's preferential treatment in receiving 30 per cent of all revenues from oil, gas and coal leasing on the public domain."
7. "...The additional costs of statehood will be more than offset by additional revenues made available to Alaska."
Seaton's speech tonight, to

from oil and gas developed on federal properties within Alaska be divided 90% to the state and 10% to the federal government.

The question of the 90-day statute of limitations may be regarded by the courts as unreasonably short. However, it would not be wise to have to litigate this issue, since if one loses, the merits of the case are not considered.

Congress also has the authority to include the non-severability clause, i.e. number (3) above. Congress, or any legislature generally, can decide that a particular bill will stand or fall as one bill, and that if one section is declared invalid, then the whole bill will be invalid.

It has been suggested that suit for injunctive and declaratory relief could be brought prior to enactment of the bill. While this may be of some political value, it is unlikely such an action would result in the relief sought. In addition to the questions discussed briefly above, it is extremely unlikely that any court would enjoin Congress from enacting into law any particular bill. This would clearly be an intrusion into the political and legislative process. Another way of describing the problem is that courts are reluctant to adjudicate issues before they are "ripe" for review.

Legislative proposal

Since throughout the debate on the Compact Theory our counsel have argued that it prevents amendment without the consent of the people of Alaska, the authors of this paper propose that a provision be included in the ANWR bill that would put the division of revenues section before the people of Alaska in referendum. Such a provision might read as follows:

"Congress finds that provisions contained herein amend the Alaska Statehood Act as to divisions of revenues from federal lands affected by this Act. Recognizing that the Alaska Statehood Act is a compact with the people of Alaska, this Act will not be effective until any such amendment is approved by the voters of the State of Alaska."

It should be clear that the intent is to have any such amendment apply only to lands covered by the bill. Furthermore, the Alaska people should be thoroughly informed that if they were to refuse to approve the royalty reduction section, then ANWR would not be opened until further review by Congress.

A provision should be included in the ANWR bill to put the division of revenues section before the people of Alaska in referendum.

Amendment to ANWR bill, as proposed by Commonwealth North:

“Congress finds that provisions contained herein amend the Alaska Statehood Act as to divisions of revenues from federal lands affected by this Act. Recognizing that the Alaska Statehood Act is a compact with the people of Alaska, this Act will not be effective until any such amendment to the Statehood Act is approved by the voters of the State of Alaska.”

If Congress adopts an ANWR bill which violates the Compact, the Governor must file suit for injunctive relief.

If a suit is filed, Alaska should schedule a referendum vote to let the people decide the royalty reduction issue.

This provision will serve three purposes:

- (1) It will raise the level of the debate in Congress to a matter of principle and indicate to Congress we are ready to submit it to a vote in line with the Statehood Act's provision for 90/10.
- (2) It will involve the people of the state in the very important issue of opening ANWR for development including the revenue issue.
- (3) It will bring a much-needed recognition of the Compact Theory in this state and perhaps throughout the nation. This is an important precedent to set for future state-federal relations.

Judicial remedy

If Congress adopts an ANWR bill without the amendment proposed above and with revenue sharing set at less than 90/10 in the bill, the Governor must file suit for injunctive relief. In addition, the Alaska legislature, this session, should pass a resolution to that effect.

The suit would ask for implementation of the ANWR statute to be enjoined until the people of Alaska have had the opportunity to vote on this issue. The suit would be based on the Compact Theory. Simultaneously, the state should schedule the referendum vote. If in the referendum the people approve the royalty reduction amendment to the Compact then the litigation would be dismissed. If the vote is negative then the state would move for permanent injunctive relief.

It is also possible for a private party to bring the above mentioned suit, although the bill adopted may include a provision allowing only the State to sue. The standing of a private group, such as Commonwealth North, would be based on the Compact Theory and that the people of Alaska as a party to the Compact have a right to object to a unilateral attempt to amend the Compact. Such a move should also be done concomitant with an initiative drive to put the question on the ballot for 1990. Getting the question to qualify as an initiative will require approval of the state government. But even raising the issue will start a healthy debate on state-federal relations.

The 90/10, 50/50 or less issue

During the debate on Alaska Statehood in Congress one of the compromises made was a change in the way oil royalties would be

paid on oil discovered and produced on federal lands within the new state. The purpose of this compromise was two-fold.

First, it was determined that the new state would not be included in the benefits of the Federal Water Reclamation Funds at least to the extent other western states did. Forty percent of the royalties generated by federal oil development on federal lands is deposited into this fund to assist western states in the construction of federal water projects.

Alaska has abundant water resources and, at that time, saw no need for such assistance. Conversely, Congress feared the prospect of having to pay for flood control of Alaska's great rivers.

Second, one of the major concerns of the Congress and Administration during the debate on Alaska Statehood was the ability of the new state to create an economy upon which it could sustain itself. Granting Alaska a greater percentage of federal oil royalties, at a time when Alaska had no proven oil reserves, was an easy Congressional compromise.

In a memo presented to the Senate Subcommittee on Public Lands, National Parks and Forests, July 14, 1987 by Assistant Attorney General for the State of Alaska, G. Thomas Koester, the state presented its position regarding this historic compromise.

"Section 35 of the Mineral Leasing Act of 1920, 30 U.S.C. 191, governs the distribution of revenues from oil and gas leasing of federal public domain lands. Under that statute, 90% of those revenues are dedicated to the benefit of the states in which the lands are located. In the lower 48 states, this dedication takes the form of a direct grant of 50% of the revenues and deposit of an additional 40% in the Reclamation Fund, established under the Reclamation Act of 1902, 43 U.S.C. SS 372 et seq. Because Alaska is not covered by the Reclamation Act, Alaska receives the full 90% under the statute.

"This dedication of federal oil and gas revenues to the states represented a historic compromise in the history of public land law. Around the turn of the century, there was a major change in federal land policy. The traditional practice of federal land disposal to encourage development and western migration was abandoned, and a new policy of federal land retention was instituted. To compensate the states for this

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One of the major concerns during the debate on Alaska Statehood was the ability of the new state to create an economy upon which it could sustain itself.

Because Alaska is not covered by the Reclamation Act, Alaska receives the full 90% under the statute.

continued federal ownership, which in any case precludes economic development and in all cases precludes state and local taxation, Congress dedicated 90% of the mineral leasing revenues from those lands to the states.

“During Congressional consideration of statehood for Alaska, considerable attention was given to the distribution of mineral leasing revenues from federal lands in Alaska. The result of those lengthy deliberations was that the revenue distribution provisions of the Mineral Leasing act of 1920 were expressly incorporated into Section 28 (b) of the Alaska Statehood Act.”

An agreement had been reached. Compromise had helped bring Alaska to statehood. Congress formally recognized Alaska as a new state with all the rights and privileges recognized in the Statehood Act. Congress also formally ratified the new state's Constitution and the people of Alaska, by popular vote, accepted the Alaska Statehood Act.

Almost from the beginning of the ANWR debate, Alaska's own Congressional delegation advised that it would be difficult for Alaska to retain its 90% share of oil royalties.

Are Alaskans, because of tough economic times, willing to forfeit their right as a state?

Alaskans, most of whom strongly support the opening of ANWR's Coastal Plain to oil and gas development, talked about trading a portion of that 90% to achieve the objective of opening ANWR. “Fifty percent of something is better than 90% of nothing” was the comment of many.

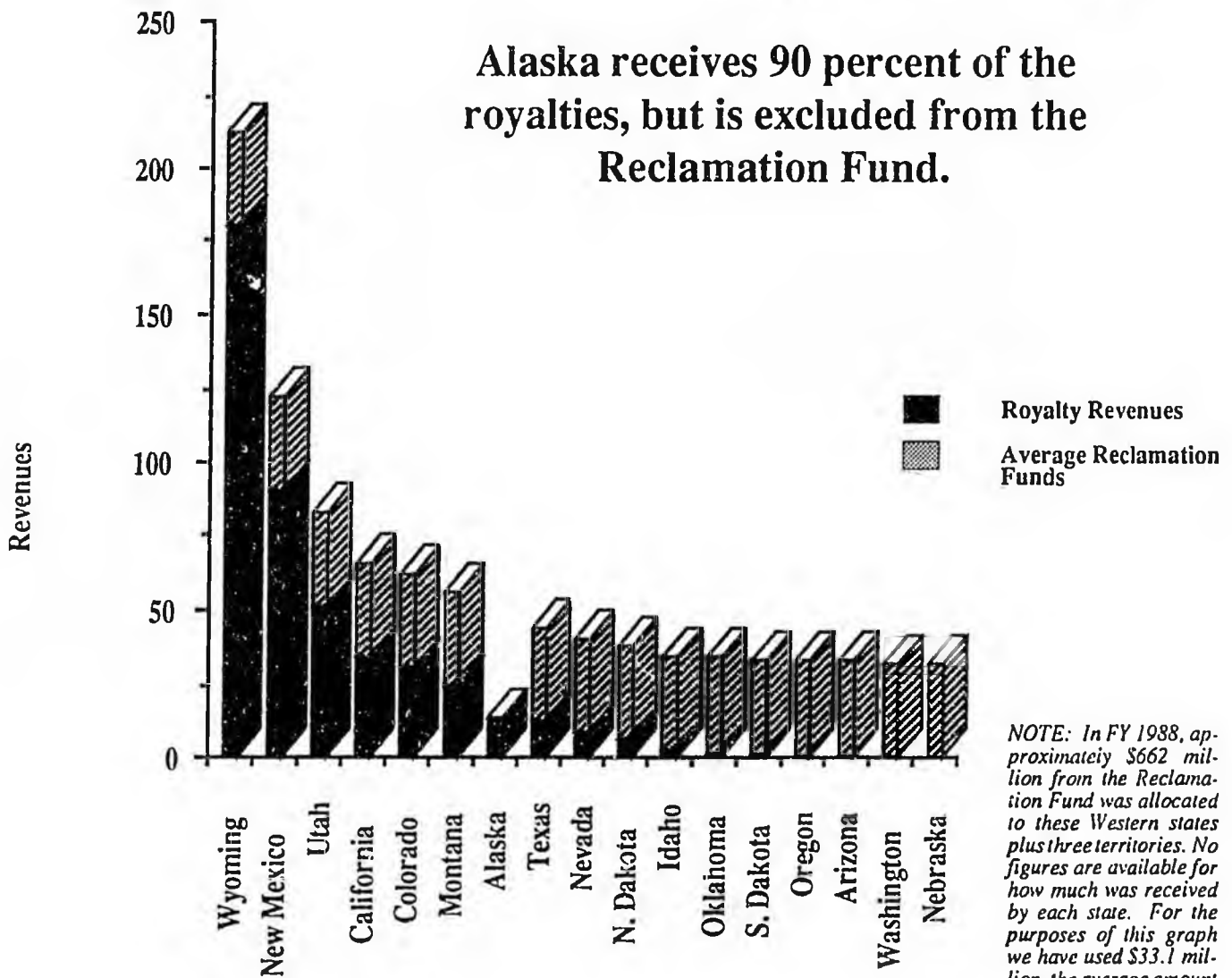
However, others feel that of all the ANWR issues, the 90/10 royalty split speaks to why and who we are as a state. Will we allow our present economic conditions to affect our position on 90/10? Will we, as so many other minorities in American history, allow our economic future and identity be traded away once wealth is discovered? The federal government has made us many promises, and it is based on those promises that we exist as a state, and as a people. Are we now willing, because of tough times, to forfeit our rights as a state without even allowing our people to vote on the question?

The royalty split works like this

The seventeen states shown in this illustration receive 50 percent of the royalties from oil and gas leases on federal lands within their jurisdiction. In addition, forty percent is dedicated to the Reclamation Fund which is used for water and conservation projects in these states.



Alaska receives 90 percent of the royalties, but is excluded from the Reclamation Fund.



NOTE: In FY 1988, approximately \$662 million from the Reclamation Fund was allocated to these Western states plus three territories. No figures are available for how much was received by each state. For the purposes of this graph we have used \$33.1 million, the average amount dedicated per state.

What does a change from 90% to 50% mean in revenue losses to the people of Alaska?

Typically, the federal royalty is 12 1/2% of the wellhead price which is then divided between the state and federal government. If we use the "modal" number (the most likely value to occur) there will be an estimated 2 billion barrels of recoverable oil in ANWR. The difference between 90% and 50% works out like this:

Alaska's share at 90%	225 million barrels
Alaska's share at 50%	<u>125 million barrels</u>
	<100 million barrels>*

If ANWR oil reserves prove to be the size of Prudhoe Bay, Alaska would lose \$5.25 billion.

At \$10 per barrel wellhead price, Alaska will receive \$1 billion less if we receive 50% instead of 90%.

If we use the "mean" estimate of 3.23 billion barrels, as projected by the Department of Interior, 50% of the royalties would mean a loss of \$1.62 billion. If the high-side estimate of 6.7 billion barrels materializes, Alaska would receive \$3.35 billion less. If ANWR proves to be the size of Prudhoe Bay (10.5 billion barrels) Alaska, at a wellhead price of \$10, would lose \$5.25 billion. Should we, as parents of future Alaskans, allow this to slip away without a fight?

These are burdens the people of Alaska should not be asked to pay without their consent.

It could even get worse. President Reagan's federal budget for 1990 proposed that 100% of oil royalties from ANWR be retained by the federal government. The State of Alaska would receive nothing. This extreme position will probably not prevail; however, it is representative of the forces arrayed against Alaska's 90/10 royalty split as guaranteed by the Statehood Compact.

After review of opposing legal analysis of this issue, most attorneys conclude that the State Attorney General has properly reviewed the Statehood Act, its intent and the historical context within which Alaska was admitted to the Union. This provision was a national compromise as well as a compromise by the people of Alaska—one agreed to after significant debate and a vote by the people of the new state

The violation of Alaska's rights as a state and the loss of billions of dollars in revenue are burdens the people of Alaska should not be asked to pay without their consent.

If an individual were to take from a person in economic distress the rights and revenues appropriated by the federal govern-

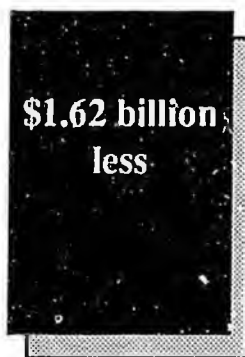
* Source: Ed Phillips, Royalty Specialist, Alaska Department of Natural Resources.

If Congress reduces Alaska's royalty share to 50% in ANW it will make a difference.

This graph illustrates the several estimates of the revenue which may be lost by Alaska if the 90% royalty share granted at statehood is reduced to 50%.



If 2 billion barrels of recoverable oil are found and produced -- This is the so-called modal estimate (the most likely to occur) according to the Department of the Interior.



If 3.23 billion barrels of recoverable oil are found and produced -- This is the so-called mean estimate (the average of the estimates) according to the Department of the Interior.



If 6.7 billion barrels of recoverable oil are found and produced -- This is the most optimistic prediction according to Department of Interior geologists.

If 10 billion barrels of recoverable oil are found and produced -- This is the most optimistic prediction according to Department of Interior geologists.

Source: Alaska Department of Natural Resources

ment in the present ANWR bill, clearly the courts would find it unfair, unjust, unlawful and certainly unconstitutional.

*“...unfair, unjust,
unlawful and certainly
unconstitutional.”*

Alaska, as a sovereign state, should expect to be treated as no less than a person. Alaskans must demand no less.

Congress may well decide to open ANWR, and most Alaskans will continue to support such action. But Alaskans must be part of the decision and, if the Statehood Compact is altered, must be given the opportunity to ratify the terms.

Chapter 4 — The Labor Movement and ANWR

Organized labor played a pivotal role in the passage of the trans-Alaska oil pipeline legislation in 1974. The late George Meany, after a briefing on the issue, rallied his 36 international presidents to a unanimous decision to put their political muscle behind the pipeline legislation. These unions and their lobbyists delivered nearly a dozen votes in the US Senate.

Even then, public sentiment was hard to mobilize. With labor's help, oil industry lobbying, and support from the White House, the vote was a 50-50 tie. Vice President Spiro Agnew cast the deciding ballot, and the bill became law.

In 1986, as the ANWR issue began to surface, Alaska labor reversed its traditional pro-development stand. A group of top Alaska labor leaders chose to stay neutral and threatened to join those environmentalists who oppose the opening of ANWR in order to obtain present and future concessions from the oil industry.

This plan ran counter to several decades of Alaska labor history in which the unions stood in the forefront of efforts to assist major development projects. It resulted from a clash between labor and oil a decade earlier over the Project Labor Agreement for the oil line construction in 1974.

In June of 1987, this Commonwealth North ANWR Committee developed six ANWR consensus points (Appendix A). The Alaska AFL/CIO, added their support. These points included the phrase "encouraging Alaska hire and a fair wage." But labor refused to help lobby Congress to pass an ANWR bill. When asked, labor's response was that they wanted an agreement with the major oil producers in Alaska—ARCO and BP Exploration. Once they had that agreement, they would help.

The position of the producers was that such an agreement could well be meaningless, as it would be impossible to predict who would be the successful bidders for ANWR leases. In addition, decisions on which contractors would be hired to help develop ANWR will probably be made by groups of companies working together through "unit agreements." Any commitment with labor reached at this time might make those companies liable under the anti-trust laws.

Even with labor's help, oil industry lobbying, and support from the White House, the vote on the trans-Alaska pipeline legislation was a 50-50 tie.

Both labor and oil should support the encouragement of Alaska hire and a fair wage for ANWR work.

Most Alaskans have argued that until ANWR legislation passes there will be no new jobs created—union or non-union.

In any case, a series of meetings took place between the major oil company producers in Alaska and labor leadership. At first these sessions appeared to be promising. But on April 19, 1988 a letter from the Building and Construction Trades Department of the AFL-CIO in Washington, D.C. urged the Subcommittee on Fisheries and Wildlife of the House Merchant Marine Committee to vote against the ANWR bill before them.

Before supporting ANWR legislation, labor now says it wants a project labor agreement.

Alaska's labor leadership told Commonwealth North that they were surprised by the letter. At that time, they had not demanded a union-only project labor agreement, but merely a signed commitment from the major producers in Alaska for "a fair wage and a maximum amount of Alaska hire possible under law." Since then, Alaska labor has followed the lead of their national officers and called for a project labor agreement.

A breakthrough is needed to enlist labor support.

In summary, due to the history of oil/labor relations in Alaska and the struggle by organized labor to obtain work on the North Slope now and if ANWR were opened, Alaska labor has remained on the sidelines. National labor leadership has taken a confrontational stance. To date, the oil industry has been unable to accommodate labor demands.

Progress must be made in this relationship before ANWR once again surfaces on the national agenda. Key House Democrats lead the Congressional committees addressing the ANWR issue. Many of them have strong labor constituencies. With the help of organized labor, ANWR legislation will have a much better chance of becoming law.

Chapter 5 — Proposed ANWR Land Trades

Native land exchanges were authorized by both the Alaska Native Claims Settlement Act (ANCSA) of 1971 and the Alaska National Interest Lands and Conservation Act (ANILCA) of 1980. The intent of such swaps was to allow federal, state, and Native land managers to adjust boundaries, consolidate land holdings and permit better use of their properties after resources had been inventoried. But the scope and scale of such anticipated exchanges was not extensive.

Several exchanges have taken place, most notably the 1984 Kaktovik Village Corporation swap of acreage in the Gates of the Arctic National Park for properties with extremely high oil potential in the Arctic Coastal Plain south of Barter Island.

U.S. Fish and Wildlife Service spokesmen indicate that they initiated the idea of ANWR land swaps. Their goal was to obtain what they considered to be premier wildlife habitat owned by Alaska regional and village corporations inside seven Alaska refuges — the Kodiak, Kenai, Yukon Delta, Innoko, Kanuti, Nowitna, and Alaska Maritime refuges. The Department of the Interior heralded the exchanges as “a unique opportunity to acquire 896,000 acres of inholdings, representing the largest single acquisition of the National Wildlife Refuge system.” Biologists feared that if these inholdings were not acquired that they may be distributed by the Native corporations to their shareholders, sold to third parties, or levied upon in satisfaction of the debts of a corporation.

In exchange for these lands, the Native corporations negotiated for oil and gas exploration and production rights to 166,000 acres of subsurface estate on the Coastal Plain of ANWR. These agreements presented an opportunity for the Native corporations to parlay remote land parcels, which otherwise might have little economic value, into potentially lucrative agreements with oil company partners. It also allowed the Native groups to retain rights to subsistence use on the lands they “swapped.” Potential returns for participating corporations and their stockholders beckoned if major oil discoveries resulted from the exploration process at ANWR.

Some oil company partners in the land exchange proposals actively promoted the concept. If these tracts were owned by private entities, they argued, years of delay would be avoided in terms of government permitting and potential environmental lawsuits. Oil would be found and produced much more rapidly, therefore benefitting both the state and the nation. Also, if the exchanges were approved by Congress, these resource companies

Land exchanges were authorized by Congress to allow for better land use after resources had been inventoried.

The trades are seen as an opportunity for the Native corporations to parlay remote land parcels into potentially lucrative agreements with oil company partners.

would acquire part ownership in strategically located leases in the most promising unexplored oil and gas province in North America. And they would have avoided the uncertain and potentially more expensive competitive bid process required under the standard procedures of the Mineral Leasing Act.

The State's role

The State of Alaska owns hundreds of thousands of acres which land specialists felt could be of interest for trades with the Department of Interior, especially the National Park Service. Staff within the Alaska Department of Natural Resources made a concerted effort to participate in the land exchange process. Supporters of this initiative believed that the State of Alaska was best positioned to manage oil activities in ANWR, as it had successfully overseen the developments of Prudhoe Bay during the past 20 years. In 1986, the Sheffield administration went to the bargaining table with the Department of Interior.

When Governor Steve Cowper was elected, Commissioner of Natural Resources Judy Brady hired consultants who looked at the contracts being fashioned between Interior and the Native Corporations. The new administration concluded that the state would be legally vulnerable if they supported the trades with the Native Corporations or condoned them by staying at the table. Governor Cowper withdrew the state's negotiating team.

At this point, the Commonwealth North ANWR Committee delved into the issue and held a series of meetings with most of the participants. Six consensus points written by the Committee and approved by the Board in June of 1987, included the following statement:

"4. Exchanges of public or privately owned inholdings in federal conservation system units for leases in ANWR should be encouraged as part of an open, competitive bidding process."

In other words, Commonwealth North's ANWR Committee opposed negotiated trades but supported allowing Native groups or the state as a landowner to be able to use "land credits" in lieu of dollars in the open, competitive bid process.

In the fall and winter of 1987-1988, the land trade issue clouded the ANWR debate. Lobbyists supporting the trades aggressively worked the halls of Congress, and the State of Alaska launched an equally strong counter campaign to defend its position.

The Cowper administration, which opposed the Native land trades, concluded that the state would be legally vulnerable if it stayed at the negotiating table.

Commonwealth North's ANWR Committee opposes the trades, but supports the use of "land credits" in an open, competitive bid process.

Quietly Commonwealth North attempted to lower the rhetoric, urging that this issue be addressed only after Congress passed an act to open the Coastal Plain to oil and gas exploration and development.

In June 1988, the General Accounting Office published a highly critical report on the land trades. The GAO's conclusions were as follows:

1. About three-fourths of the Native inholdings the government would acquire would provide only limited wildlife and habitat protection benefits;
2. The negotiated price the government would pay for the inholdings is six times their appraised fair market value; and
3. Generally accepted methods for dealing with uncertainty in acquiring the oil and gas tracts — requiring competitive bidding and retaining a continuing interest (royalty) in the actual amounts of oil and gas that may be produced — were not employed.

The Department of Interior disagreed with the GAO'S findings and stated that the GAO recommendation was reached by oversimplification and misunderstanding of numerous complex issues relating to the exchanges.

For example, Interior is authorized by the provisions of ANCSA and ANILCA to make land exchanges for other than equal value if the Secretary determines it is in the public interest to do so. "Fair market value was only one of several factors given consideration" in the exchange process. "Other considerations included the natural resource and public use benefits attributable to the lands, transactional savings to the United States, and past Congressional and administrative precedents."

GAO considered Interior's comments in its findings and recommendations and concluded that the Interior proposal was flawed and urged Congress to disapprove it.

The State of Alaska has maintained its opposition to the land trades proposal and has drawn similar conclusions to those of the GAO.

It is the considered opinion of this Commonwealth North Committee that the land trades, as proposed, should not be approved and that the time-tested public policy of open, competitive bidding should be utilized if leasing is authorized in ANWR.

In June 1988, the General Accounting Office published a highly critical report on the land trades.

The Interior Department charged that the GAO report was oversimplified and incorrect.

The time-tested public policy of open competitive bidding should be utilized in ANWR.

A "killer amendment" in House Resolution 3601 creates a National Wildlife Refuge out of the 23.5 million acre National Petroleum Reserve Alaska.

In the spring of 1988, the House Committee on Merchant Marine and Fisheries passed House Resolution 3601. The bill was entitled the National Fish and Wildlife Enhancement Act of 1988. Eighty-nine pages in length, this bill permits oil and gas leasing in ANWR with a multitude of restrictions and conditions. Section 213 of the Resolution creates a National Wildlife Refuge out of the 23.5 million acre National Petroleum Reserve Alaska. Hardly debated either in Alaska or Washington, D.C., the amendment has far-reaching implications and is seen by this Commonwealth North Committee as a "killer amendment."

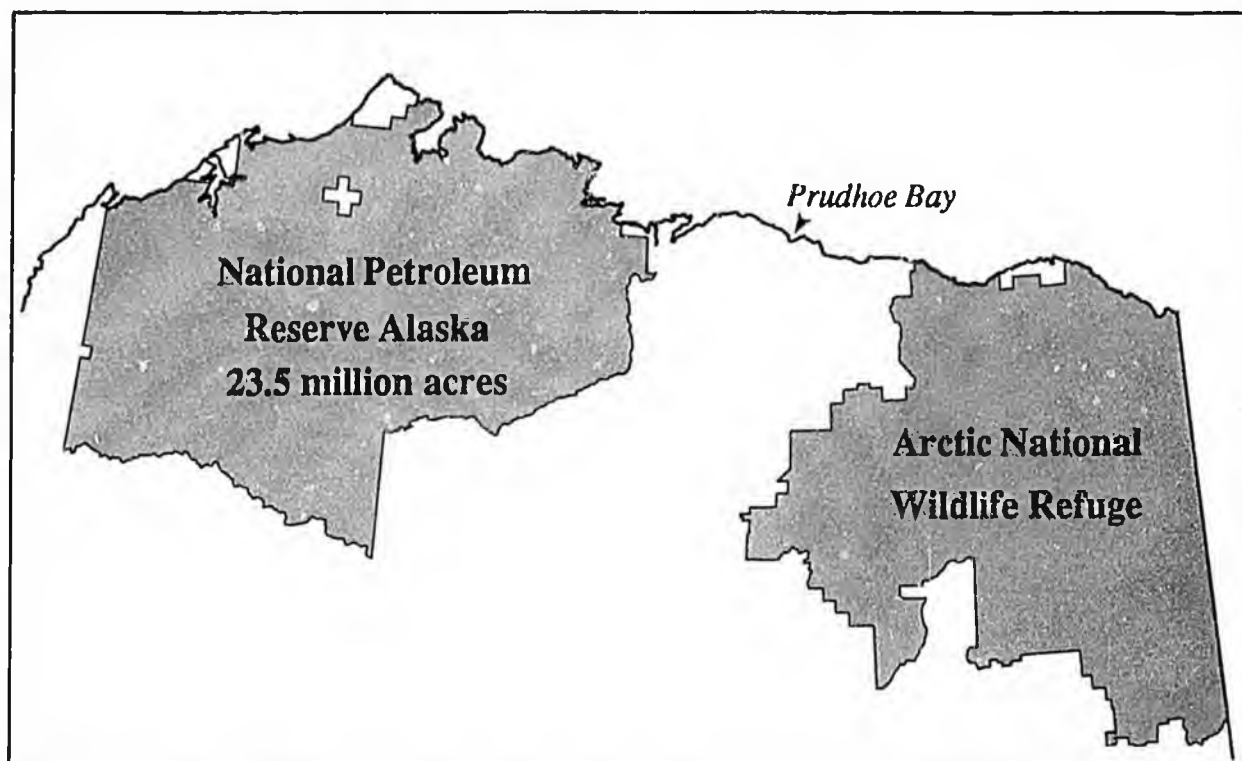
National Petroleum Reserve of Alaska (NPRA) is a huge, 37,000 square mile, treeless Arctic desert, permanently frozen to a depth of over 1,000 feet. It contains the largest Eskimo city in the world. Captain James Cook reached Icy Cape in 1778 and various explorers, especially those who in 1848-53 were searching for Sir John Franklin, explored the coastal areas. Still it was not until 1917 that Sandy Smith "discovered" oil seeps that the Eskimos had known about for centuries. Soon after, a few oil claims were staked, but President Harding gleefully throttled that activity by making the whole area a National Petroleum Reserve in 1923.

For four years beginning in 1923, the U.S. Geological Survey sent its excellent explorers/geologists on long, tough, mosquito-plagued trips across the mountains and over the unending tundra to the Arctic Ocean. Finally, in the war year of 1944, the Navy began drilling and geophysical work which terminated in 1953. They found one medium-sized oil field at Umiat, a gas field at Barrow and lots of natural gas in the Gubik Field. Further work directed by the U.S. Geological Survey and others in the late 1970's and early 1980's failed to find oil in sufficient quantity to warrant development.

All past drilling in NPRA amounts to only one exploratory well for every 360,000 acres.

While it might seem that Sandy Smith's "discovery" had flopped, there remains the astonishing fact that the 37,000 square mile reserve, with numerous oil shows other than Sandy's, has had only 65 exploratory wells poked in it (not counting some development wells at Umiat and Barrow); and some of the 65 wells did not reach basement. All past drilling amounts to one exploratory well for 360,000 acres; some counties in Texas have had 100 wells drilled before oil was found in great quantity.

By comparison with other states, the NPRA oil prospecting record is not too bad. The Umiat oil field is estimated to contain 70



The National Petroleum Reserve Alaska contains vast resource potential

1. Oil and gas – set aside by the U.S. Navy in 1923 as a petroleum reserve, millions of acres of NPRA are considered highly favorable for significant accumulations of oil and gas.
2. As much as 40% of remaining bituminous coal resources in the U.S.
3. Rare earth minerals such as yttrium and scandium, used for super-conductivity.
4. Base metals – lead, zinc and silver.
5. Various strategic minerals, such as chromium, nickel and the platinum group.

*Source: Mineral Resources Division,
U.S. Bureau of Land Management*

million barrels of recoverable oil (probably 120 million if a water drive enhanced recovery program should be used). That would make a nice oil field if located near transportation. The Gubik gas field, with only two test holes, may contain as much as 295 billion cubic feet of natural gas.

One well-qualified expert estimated that there are 900 billion tons of recoverable coal in NPRA — the BTU equivalent of 250 Prudhoe Bays.

NPRA contains one of the world's largest coal reserves; about half of the 37,000 square miles contains coal, varying from sub-bituminous to bituminous in grade. Estimates of possible reserves range from hundreds of billions of tons to trillions. One well-qualified expert estimated that there are 900 billion tons of recoverable coal, equivalent in heat units to 3,500 billion barrels of crude oil — 250 times the recoverable crude oil in the largest oil field in North America, Prudhoe Bay.

Red Dog appears to be the anchor of one of the world's most important mineralized trends stretching along the 150 mile southern boundary of NPRA.

Searching for a continuation of the very large and rich lead and zinc deposits of the Wulik River area, the southern border of NPRA was examined by the U.S. Bureau of Mines and the U.S. Geological Survey during the short summer seasons of 1977 and 1978. Although severely hampered by bad weather and the usual logistical problems (one participant estimates that there were only 45 truly effective field days in the two year period) lead, zinc and copper anomalies were shown by geochemistry to extend intermittently across the entire 150 mile long southern boundary. Along the southeastern portion, for a distance of nearly 60 miles, the anomalies were more frequent and four distinct outcrops of high grade lead, zinc, and silver ore were discovered. At one of the discoveries, mineralization has been traced at least 6,500 feet. Ore grades up to 44% lead, up to 49% zinc, and up to 27 ounces per ton of silver have been reported from the outcrops.

The geological anomalies and ore deposits found in the very brief reconnaissance of 1977-78 appear to be along a mineralized trend from the huge Red Dog and Lik lead, zinc and silver deposits located about 40 miles southwest of NPRA. The Red Dog Mine, recognized as the largest and richest lead, zinc and silver mine in North America, appears to be the anchor of what may be one of the most important lead, zinc and silver districts in the world.

Even if someone solemnly claims to have inherited a gift of clairvoyance from the Delphic Sibyl, can he have the effrontery to deny to future generations the right to use the probable oil, the certain coal and the obviously rich metal recoverable from a vast area that is permanently insulated from capricious development by long, black, windy winters and short, bug-filled summers?

Conclusion

To place NPRA in a Wildlife Refuge status designates this vast, rich area for a single purpose "to conserve fish and wildlife populations and habitats." It stops any further oil and gas leasing for five years and makes any future leasing pursuant to the Refuge Administration Act, which is extremely restrictive and cumbersome. It places the authority for deciding on port facilities or offshore causeways in the hands of federal and state fish and wildlife agencies, and is restrictive as to transportation and utility corridors.

To make NPRA a Wildlife Refuge would designate it for a single purpose.

Oil and Gas Development

An ideal ANWR bill should permit and encourage careful oil and gas exploration and development on the Coastal Plain of ANWR. The government should not enter the oil business by financing a government exploration program, such as the wasteful and nonproductive NPRA program.

Environmental Protection

The protections and requirements for oil development in Prudhoe Bay and Endicott are adequate for the Arctic Coastal Plain in ANWR. Most additional restrictions add cost to the delivery of energy to America and contribute little to an already excellent environmental protection process.

A "core calving area," set aside for a study period of not more than 5 to 7 years, may be required politically to quiet the concerns of Congressmen and their constituents from the Lower 48. Biologically, such a study is not necessary because of the laboratory results of 20 years of operating on the North

Slope some 100 miles to the west. There, the Central Arctic caribou herd has flourished and multiplied three-fold since oil activities began.

Royalties

The State of Alaska should stand its ground regarding the 90% royalty pledged, promised and voted upon by the Alaskan people at the time of statehood in 1958. Any reductions of that royalty should only be agreed upon by consent of the governed through a plebiscite and in exchange for other benefits.

Labor in ANWR

Labor and the oil industry must find a means for accommodating each others' needs in developing ANWR. The support of both is essential to speedy passage of favorable ANWR legislation. The ANWR bill itself should not be encumbered with language (such as the Manton Amendment) which requires union hire.

Land Trades

The ANWR bill should not include land trades between private entities and the federal government. Such proposals should be addressed later, separately, and on their own merit.

No "Christmas Tree" Legislation

The National Petroleum Reserve Alaska, the Tongass National Forest, and additional National Park Service wilderness areas should all be addressed separately by Congress. In no case, should the ANWR bill be used as "Christmas Tree Legislation" as a pay-off to various interest groups.

Appendix A

TOWARD A CONSENSUS ON THE ARCTIC NATIONAL WILDLIFE REFUGE April 24, 1987

Commonwealth North's Board and ANWR Committee call on the Governor, the Congressional Delegation, and the citizens of the State of Alaska to encourage the immediate development of the oil and gas resources of the Coastal Plain of ANWR.

1. *It is essential to the mutual interests of Alaskans and the nation to encourage the immediate development of the oil and gas resources of the Coastal Plain of ANWR.*
 - Nationally, oil and natural gas imports have risen 37% from last year, contributing to the nation's \$60 billion trade deficit and making the U.S. increasingly vulnerable to foreign oil suppliers.
 - ANWR is universally recognized as the most promising onshore oil and gas frontier in North America. At least 26 identified geological structures in ANWR have oil and gas potential which may rival Prudhoe Bay's giant field.
 - The Secretary of the Interior, after a 5 year study by the U.S. Fish & Wildlife Service, has recommended that Congress approve an oil and gas leasing program in ANWR's 1002(h) area (roughly 8% of the 19 million acre Refuge).

2. *The Arctic Coastal Plain must be developed, as Prudhoe Bay has been, with utmost care for environmental and wildlife values.*
 - Alaskans are rightfully proud of the record established on the North Slope whereby resource development and the care and protection of wildlife, including the Central Arctic caribou herd, have gone hand in hand.

3. *Time is of the essence. Congress must be encouraged to act.*
 - Once Congress gives the "go-ahead" and if oil is discovered, it will take approximately 10 years to produce ANWR oil.
 - Already one out of every four barrels of oil produced in the U. S. comes from Alaska's North Slope. But North Slope production is expected to drop from 2 million barrels per day to 500,000 barrels per day by the year 2000. In other

words, if ANWR is not developed by 2000, Alaska's oil production may decrease to 1/4 of the current output.

4. *Exchanges of public or privately owned inholdings in federal conservation system units for leases in ANWR should be encouraged as part of an open, competitive bidding process.*
5. *The state should encourage a high level of Alaska hire and a fair wage during ANWR exploration and development.*
6. *The State of Alaska, with the Governor taking the lead, must mount a major educational campaign to inform Congress and the American people about ANWR.*
 - The citizens of the State should be encouraged to participate in this campaign by rallying support among their friends and contacts across the nation.

Appendix B



Who ever heard of a nation fighting for dependence?

Usually the opposite holds true. Yet today, the attention of the entire nation is focused on just such an issue. And the battle lines are drawn.

Alaska's Arctic National Wildlife Refuge (ANWR) stands at the center of this controversy. Should oil development be permitted on the Coastal Plain which constitutes only 8% of ANWR and is considered to be the most promising onshore oil and gas province in North America?

Unfortunately, there are single interest groups which are attempting to postpone this decision.

But delay will only increase our alarming dependence on foreign oil.

America needs Alaskan oil. In just two years, Prudhoe Bay production will begin to decline. By the year 2000 if there are not substantial new oil discoveries made on the North Slope, the trans-Alaska pipeline will run at one-fourth the throughput it is today.

For these reasons, as Alaskans, as Americans, we urge the citizens of this country to address this issue with a united voice . . . for everyone's sake.

WE ALL AGREE that in the national interest it is vitally important that Congress encourages oil exploration and production on ANWR's Coastal Plain.

Steve Cooper
STEVE COOPER
Governor, Alaska

Ian Fades
IAN FADES
Alaska State Senate President

Ben Gruesendorf
BEN GRUESENDORF
Speaker of the Alaska House of Representatives

Ted Stevens
TED STEVENS
U.S. Senator, Alaska

Jack Coghill
JACK COGHILL
Chairman, Alaska Senate Natural Resources Committee

Sam Coffey
SAM COFFEY
Co-Chairman, Alaska House Natural Resources Committee

Frank Murkowski
FRANK MURKOWSKI
U.S. Senator, Alaska

George N. Ahmadiyak
GEORGE N. AHMADIYAK
Mayor, North Slope Borough

Don Young
DON YOUNG
U.S. Congressman, Alaska



Jacob Adams
JACOB ADAMS
President, North Slope Borough Assembly

Presented in the Public Interest by Commonwealth North
414 West Third Avenue, Anchorage, Alaska 99501

The above Commonwealth North statement was run as an advertisement in newspapers throughout Alaska in August 1987.

Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. Non-partisan in nature, its purpose is to inject enlightened vitality into the world of commerce and public policy. As well as providing a forum for national and international speakers, working committees study critical issues facing the state and the nation and prepare well-researched proposals, such as this one.

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ADDENDUM

On the eve of publication of this report, a tragic oil spill took place outside the Valdez harbor. The authors, along with all Alaskans and millions around the world, were shocked and saddened by this failure of a transportation system which had previously proven to be nearly flawless. The reasons for the disaster and ways to prevent a reoccurrence are not yet clear. They must and will be thoroughly examined.

At the same time, the authors of this paper stand by the conclusions and recommendations written herein. They believe that these findings will contribute to the statewide understanding and the national debate over the highest and best use of the enormous energy resources which may exist on the coastal plain in the Arctic National Wildlife Refuge.

The ELF

A Policy Perspective

April 1988

Division of Policy
Office of the Governor

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Preface

Since statehood, oil taxes have been a continuing and difficult policy issue for Alaskans. The current debate centers on the state severance tax and the economic limit factor or "ELF." Put simply, the ELF² is a tax reduction formula meant to encourage marginal oil field development. The Governor proposed ELF legislation last year, and a bill to make a change in the ELF formula passed the House.¹ The oil companies, with one notable exception, oppose the change, and the bill has now stalled in the state Senate, where the leaders have said they oppose allowing the bill to come to a vote.

In the Alaska legislature oil tax issues have traditionally received intense scrutiny. Each side has had the opportunity to challenge the assertions of the other, bring its experts forward, and present its case. This process has not been perfect, but the legislators and the public have been able to get the facts to make informed decisions. Nothing will substitute for the give and take of a public hearing, but in the face of the Senate's refusal to allow this major policy issue the open debate it deserves, the state administration has a responsibility to make its perspective known.

We believe passage of the new ELF will help stabilize the Alaska economy at a time when it needs the reassurance of stable state spending. More stable revenues from the new ELF will help guarantee that local governments receive the money they need for roads, public safety and other services, and explains why the Alaska Conference of Mayors, among others, supports the ELF bill. Most importantly, passage of the new ELF

¹ House Finance Committee Substitute for House Bill 164, amended [CSHB 164 (Fin.) am].

will provide a more reliable incentive for marginal field development — the ELF's original purpose — by lowering tax rates on Alaska's smaller fields, such as Milne Point, Endicott, and Lisburne.

This paper attempts to fully discuss the reasons behind our perspective. We have tried to include all the relevant facts. We also have tried to avoid unnecessary complication. If others have additional information and perspectives, we welcome hearing from them.

Mary Halloran
Director, Division of Policy
Office of the Governor

Executive Summary

- The immediate revenue loss from the current ELF is about 8 percent of Alaska's oil revenues, or about \$150 million this year. This percentage loss will increase over the next six years to about 14 percent and will erode Alaska's fiscal strength.
- The 1987 application of the ELF to Prudhoe Bay was adopted within 72 hours in the closing days of the 1981 legislative session. Legislators and the Governor were assured the tax changes were revenue neutral — incorrectly as it turned out. In fact, the revenue loss has been over \$1 billion from FY82-FY87.
- Neither the Railbelt Energy Fund nor the Permanent Fund earnings reserve provides a long-term response to the on-going loss of 8 percent to 14 percent of Alaska's oil revenues and the erosion of Alaska's fiscal strength. The new ELF does.
- Prudhoe Bay and Kuparuk are extraordinarily profitable oil fields. Industry journals indicate oil companies make \$6.2 million per day in profits from North Slope operations. Currently, the oil industry is taking \$8 Outside for every \$2 it reinvests in Alaska. Without their Alaska holdings, neither ARCO nor Standard would be as strongly positioned against their industry competitors as they are today.

- The oil industry has one of the poorest resident hire records in the state, with major drilling, exploration and service companies employing about 28 percent non-residents.
- The written record of the 1981 legislative deliberations on oil taxes provides no evidence of any legal, moral, or political commitment by state officials regarding any limit on the state's appropriate share of future oil income. In fact, the legislature and the governor explicitly recognized that today's legislature would have to grapple with the revenue problems caused by the reimposition of the ELF.
- At Prudhoe Bay, at a profit of \$3 per barrel, wells that average over 2,000 barrels per day — more than 100 times greater than the national average of 14 barrels per day — are receiving the benefit of an ELF reduction designed for fields whose economics are marginal.
- The new ELF's consideration of total field productivity, as well as per-well productivity, provides a better incentive for marginal field development than the current ELF and better reflects field profitability.
- By adding total field productivity to the ELF calculation, most Alaska fields will receive a larger tax break under the new ELF than under the current ELF. Only the two giant fields, Prudhoe Bay and Kuparuk, will not receive increased tax breaks. Fields with Alaska corporation ownership, such as Endicott, will benefit more under the new ELF than the current ELF.

- The current ELF provides a substantial state subsidy to oil company drilling operations in the nation's two largest and very profitable oil fields by lowering the effective tax rate on an entire field every time a below-average producing additional well is brought on line.

Introduction

The major issue in the current debate over the ELF (economic limit factor) is whether this tax reduction to the oil industry makes sense for Alaska at this time. Among the different perspectives against which Alaskans judge the issue are the ELF's effects on the rate of oil development and jobs, and its impact on state revenue, budget stability and the economy. The purpose of this paper is to fill in as much as possible of the factual background. The following issues are therefore addressed in detail:

(1) ELF AND OIL DEVELOPMENT: Does the current ELF tax subsidy work to increase marginal field development? Are Prudhoe Bay and Kuparuk marginal fields? Do ARCO, Standard and Exxon, the major North Slope producers, need a substantial tax break now to continue production from Prudhoe Bay and Kuparuk? How does Alaska's tax structure compare with that of other states?

(2) ELF AND ALASKA'S ECONOMY: How much does the current ELF contribute to industry drilling activity? What will be the effect of the new ELF on drilling activity? Are oil company development dollars spent in Alaska or Outside? How many jobs does ELF create? Who gets those jobs?

(3) ELF AND ALASKA'S REVENUES: What is the difference in revenues between the current ELF and the new ELF? How does ELF affect revenue stability? What is the long-term impact of ELF on the state's fiscal strength? What roles do revenue stability and a balanced budget play in creating a stable Alaska economy?

(4) ELF AND THE PAST: What happened in 1981? Why was the ELF suspended for Prudhoe Bay? What were the commitments?

Background

The roots of the current tax debate go back to the early days of North Slope oil production. In 1979 several major oil companies sued the state, arguing that the separate accounting form of corporate income tax adopted by Alaska in 1978 was unconstitutional. The state won that lawsuit in 1986, but in 1981, in an attempt to limit the fiscal effects of possibly losing the case, the legislature changed the method for assessing oil and gas corporate income tax from separate accounting to modified apportionment.² That legislation also dealt with the ELF.

The 1981 tax package gave Alaska's oil producers a big reduction in their corporate income taxes, but legislators were assured by then-Revenue

² To tax corporate income, separate accounting focuses on the income a corporation actually produces in the taxing jurisdiction. In contrast, the apportionment formula looks at all the income produced worldwide by the corporation and attempts to attribute a portion of that income to the taxing jurisdiction. Alaska now uses a modified version of the standard apportionment method in assessing corporate tax liability.

Commissioner Tom Williams — incorrectly as it turned out — that most of the state revenue lost from the income tax would be offset by gains from a severance tax increase adopted at the same time. The bill also suspended the applicability of the ELF to Prudhoe Bay "for the first ten years following the commencement of commercial production."

The tenth anniversary came in June of 1987, triggering reinstatement of the ELF to Prudhoe Bay. Since the ELF is a formula that reduces severance tax rates, it gave the oil companies a tax cut in addition to the net tax reduction they won in 1981. The 1987 cut was substantial — worth over \$15,000 per hour to the Prudhoe Bay producers or about 8% of Alaska's revenues from oil operations.

The ELF Formula: Well Productivity & Field Productivity

The ELF bill, CSHB 164 (Fin) am, substitutes a new formula for calculating the "economic limit" — the point at which production is no longer profitable. The new formula will reduce the tax reduction provided to Prudhoe Bay and Kuparuk, and increase the tax reduction afforded to smaller fields, such as Endicott, Lisburne or Milne Point.

The ELF is a number between one and zero that is multiplied by the nominal tax rate, producing the effective tax rate. The nominal severance tax rate at Prudhoe Bay is 15 percent. With the average FY 88 Prudhoe Bay ELF at .82, the field's effective tax rate is 12.3 percent ($.15 \times .82 = .123$).

The current ELF is determined by *per-well productivity* in the field, measured by the number of barrels produced by an average well in an

average day. If well productivity is high, the ELF is relatively close to 1 (.9 for example), and the field gets a small tax reduction. Fields with low per-well productivity have a smaller ELF (.5 for example), and get a larger tax break. Most fields in Cook Inlet are currently paying no severance tax because their very low per-well production gives them ELF's of zero.

(Zero times the nominal tax rate gives an effective tax rate of 0.0 percent.)

In Cook Inlet, the current ELF works properly, encouraging production of marginal fields.

But the super-giant Prudhoe Bay field³ is a different story. At Prudhoe Bay, wells that average over 2,000 barrels per day — more than 14 times greater than the Texas average and more than 100 times greater than the national average — are receiving the benefit of an ELF reduction designed for fields whose economics are marginal.

This inappropriate ELF break results from the fact that the current ELF takes account only of productivity *per well* and not overall *field* productivity. By giving a profitable field a larger tax break than a marginal field, the current ELF distorts the purpose of this tax subsidy.

Consider, for example, the case of Milne Point, a small field near Prudhoe Bay. Soon after the Milne Point field opened in late 1985, revenue officials, state economists and the management team at Conoco, the oil company operating the Milne Point field, discovered that per-well productivity, if used by itself, can be an inadequate measure of a field's ability to pay severance tax.

³ Production from Prudhoe Bay, the largest field in the United States, is five times that of the nation's second largest field (Kuparuk). Industry publications consistently refer to Prudhoe Bay as "super-giant."

The average well in the Milne Point field initially produced 950 barrels per day, giving it an ELF very nearly the same as the Kuparuk field, where the average well produced 1,000 barrels per day. Total Kuparuk production was then 250,000 barrels per day, while Milne Point produced less than one-tenth of that amount.

But due to its smaller size, operators at Milne Point had far fewer barrels of production over which to spread operating costs than the Kuparuk field. Although the two fields had almost identical per-well productivity, the smaller Milne Point field was less profitable, and in January 1987 the owners elected to shut down production. This experience illustrates the deficiency of an ELF formula based solely on per-well productivity.⁴

The new formula incorporated in the ELF bill will correct this perverse and unintended effect *by adding total field productivity to the ELF calculation*. Fields producing less than 120,000 barrels per day, such as Milne Point and Endicott, will have a lower ELF (bigger tax break) than under current law, while fields producing more than that amount will have a higher ELF (smaller tax break). This change will affect estimated FY 89 severance tax rates as follows:

⁴ Under provisions of the current severance tax law, Milne Point producers requested and received additional tax reductions after showing that the field would be uneconomic to operate without the reductions. The administrative uncertainties of this avenue would be eliminated for smaller fields by the automatic reduction provided by the new ELF. Large fields facing similar problems could still apply for and receive the special "hardship" reductions.

EFFECTIVE FY 89 SEVERANCE RATES

	<u>Existing Law</u>	<u>New ELF</u>	<u>Percent Change</u>
Prudhoe Bay	11.9 %	14.8 %	23 %
Kuparuk River	6.9 %	11.3 %	65 %
Endicott	12.3 %	8.9 %	-27 %
Lisburne	6.8 %	3.6 %	-47 %
Cook Inlet Fields	0.0 %	0.0 %	0 %

That this approach benefits producers in smaller fields is reflected in the March, 1987 testimony of Conoco supporting the new ELF: "This legislation is a positive first step in encouraging the development of marginal fields in Alaska."⁵

ELF Subsidy Effect

In the summer of 1987 oil producers increased the rate at which they were drilling additional wells at Prudhoe Bay and Kuparuk. Since total North Slope production is limited by pipeline capacity to just over 2 million barrels per day, more producing wells means that average production per well is being reduced. Lower per-well production, in turn, means a bigger tax break for producers under the current ELF.

⁵ Tom Painter, Conoco Anchorage Division Manager, Transcript of Joint House Finance and House Resources Committees Hearing on House Bill 164, March 19, 1987, pp. 49-54.

Because the drilling increase started about the same time as ELF's application to Prudhoe Bay, state officials investigated the possibility of a cause-and-effect relationship between the two. The ELF's role could not be precisely determined. At the same time, because of the current ELF's sensitivity to per-well productivity changes, the investigation found that the current ELF provides a substantial — and unintended — state subsidy to oil company drilling operations in the nation's two largest and very profitable oil fields.

An example of how this subsidy works was provided by ARCO official James Weeks, during 1987 testimony before the House Finance Committee.⁶ Weeks' example showed how a new Kuparuk well, so long as it produced below the Kuparuk per-well average, would result in a lower severance tax payment on the now-higher total Kuparuk production than the severance tax would have been on the lower total Kuparuk production without the well. In Weeks' example, the result was an overall tax savings or subsidy to the producer of \$37,846 yearly from drilling that single additional well.

Weeks' example showed that the per-well emphasis of the current ELF formula will cause the effective tax rate on an entire field to drop when a below-average producing well is brought on line. Despite the increase in total production, the state will receive less tax revenue than if the well and its production had never occurred. This would be a perverse effect even in a marginal field.

Because this subsidy takes the form of a tax reduction rather than a payment from the state's treasury, the subsidy is restricted to fields paying

⁶ A copy of the ARCO handout and the state's analysis of it are in Appendix D.