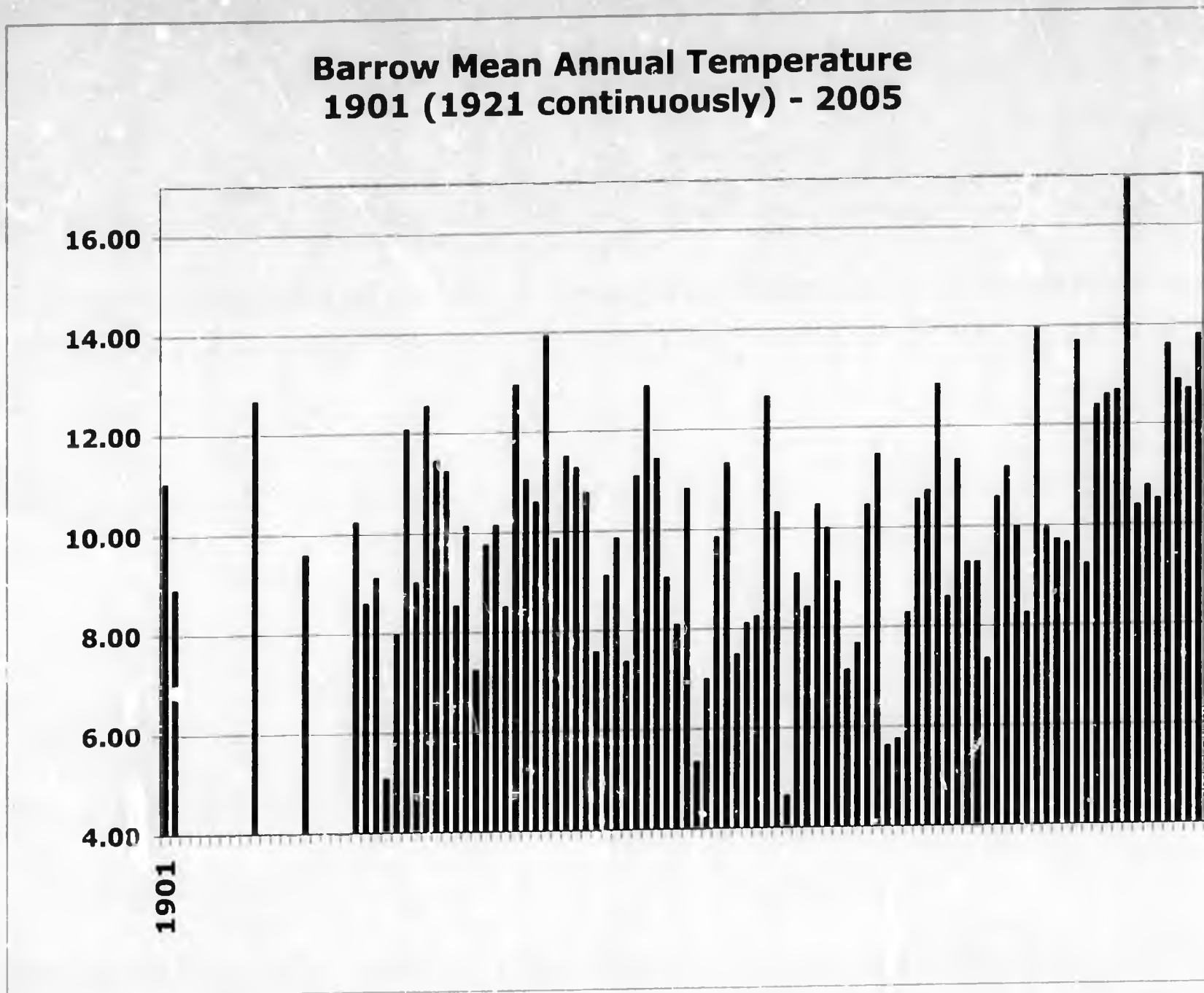


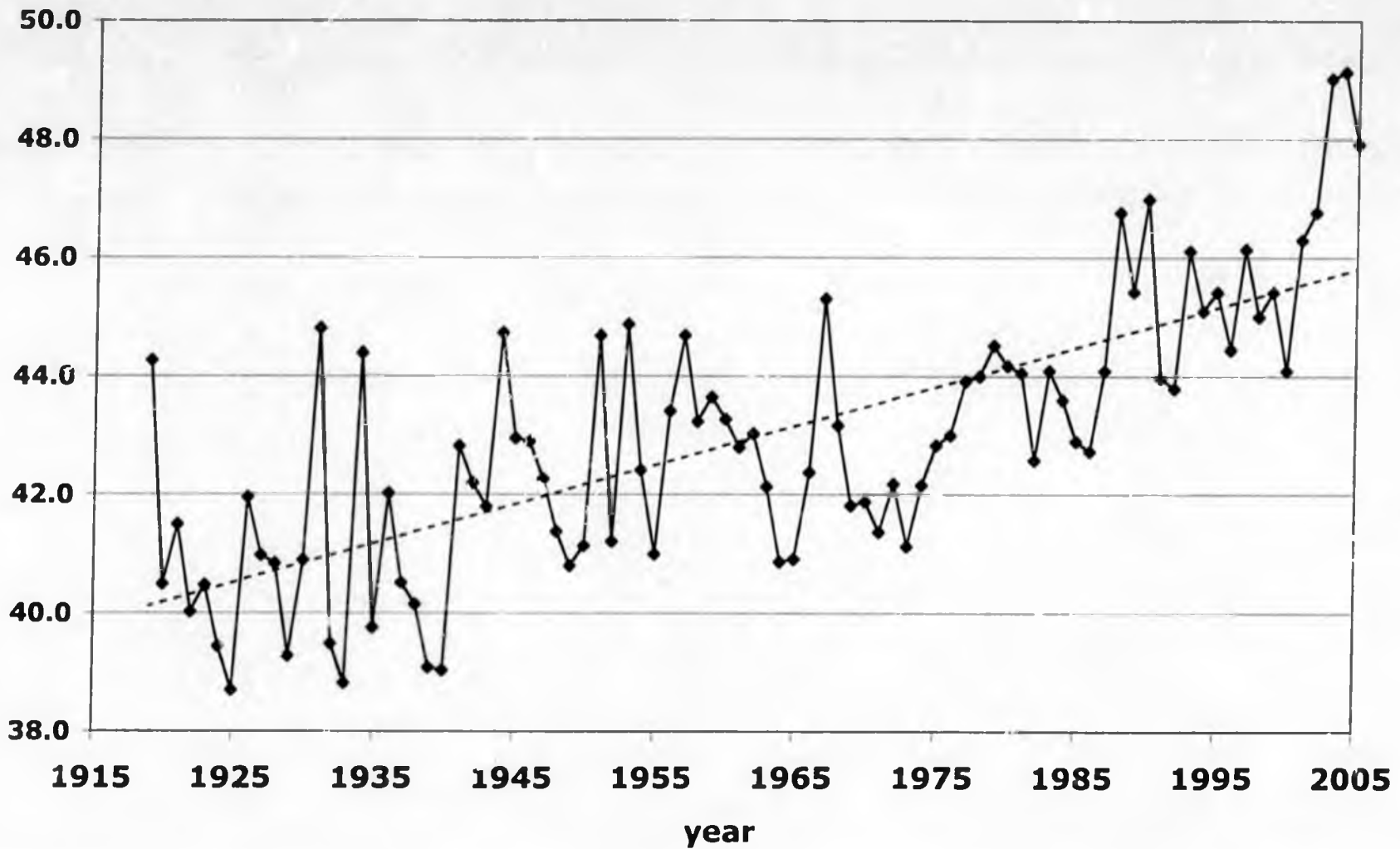
11603 HOUSE RESOURCES

### 3. Temperatures in northern Alaska have increased

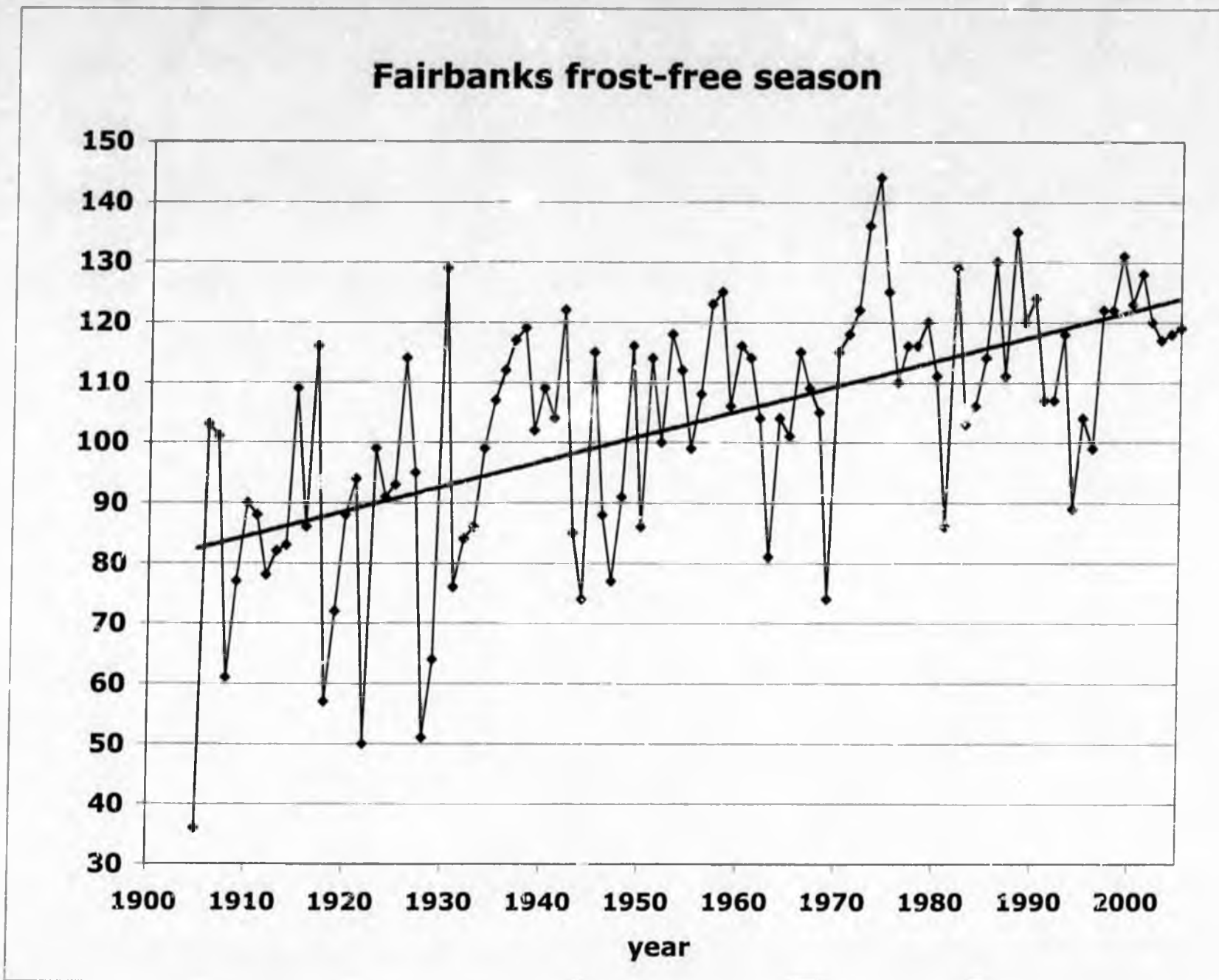


#### 4. Overnight low temperatures have increased the most

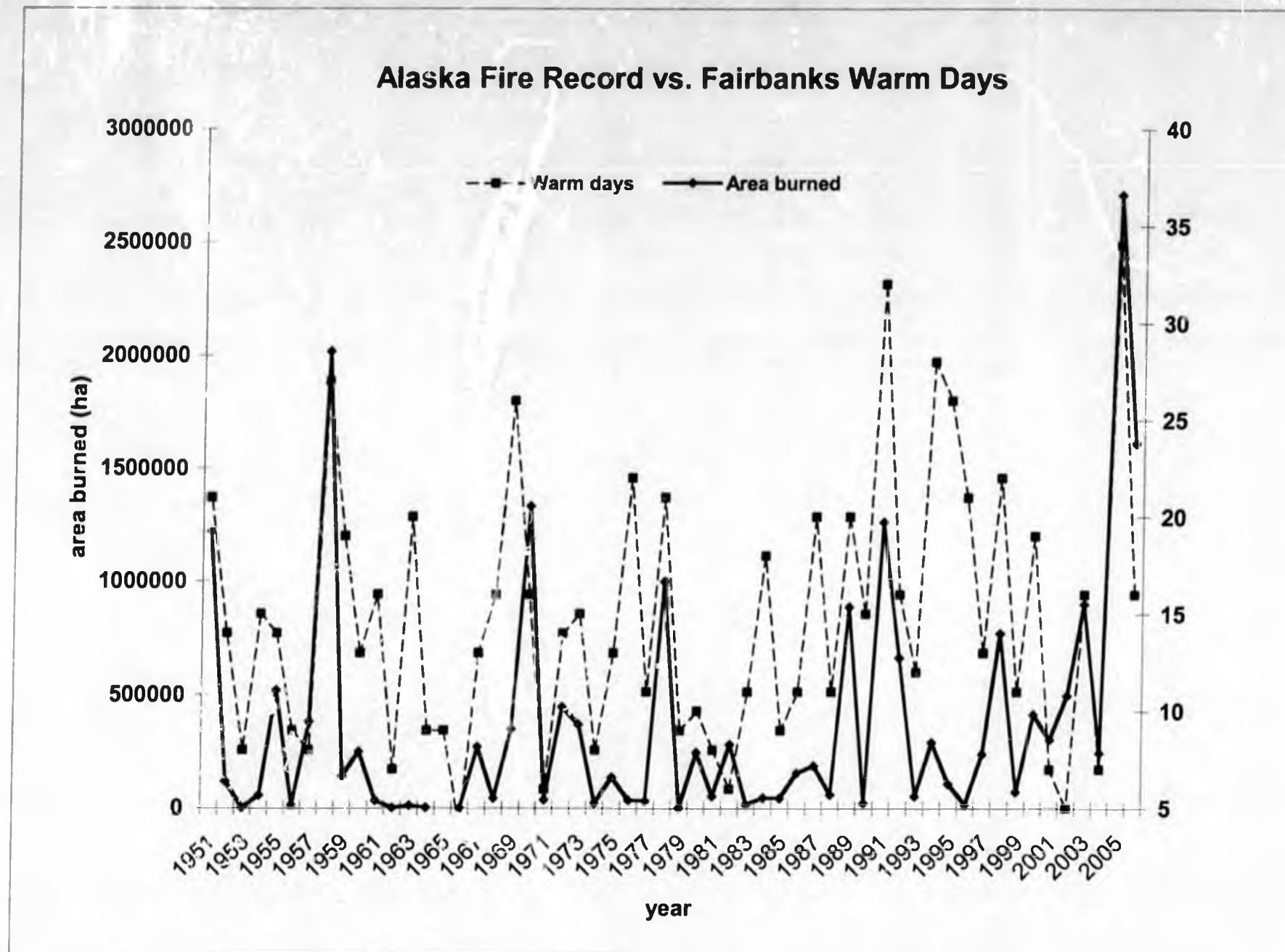
**Talkeetna, Alaska Mean Daily Minimum Temperature  
1 May: 31 August**



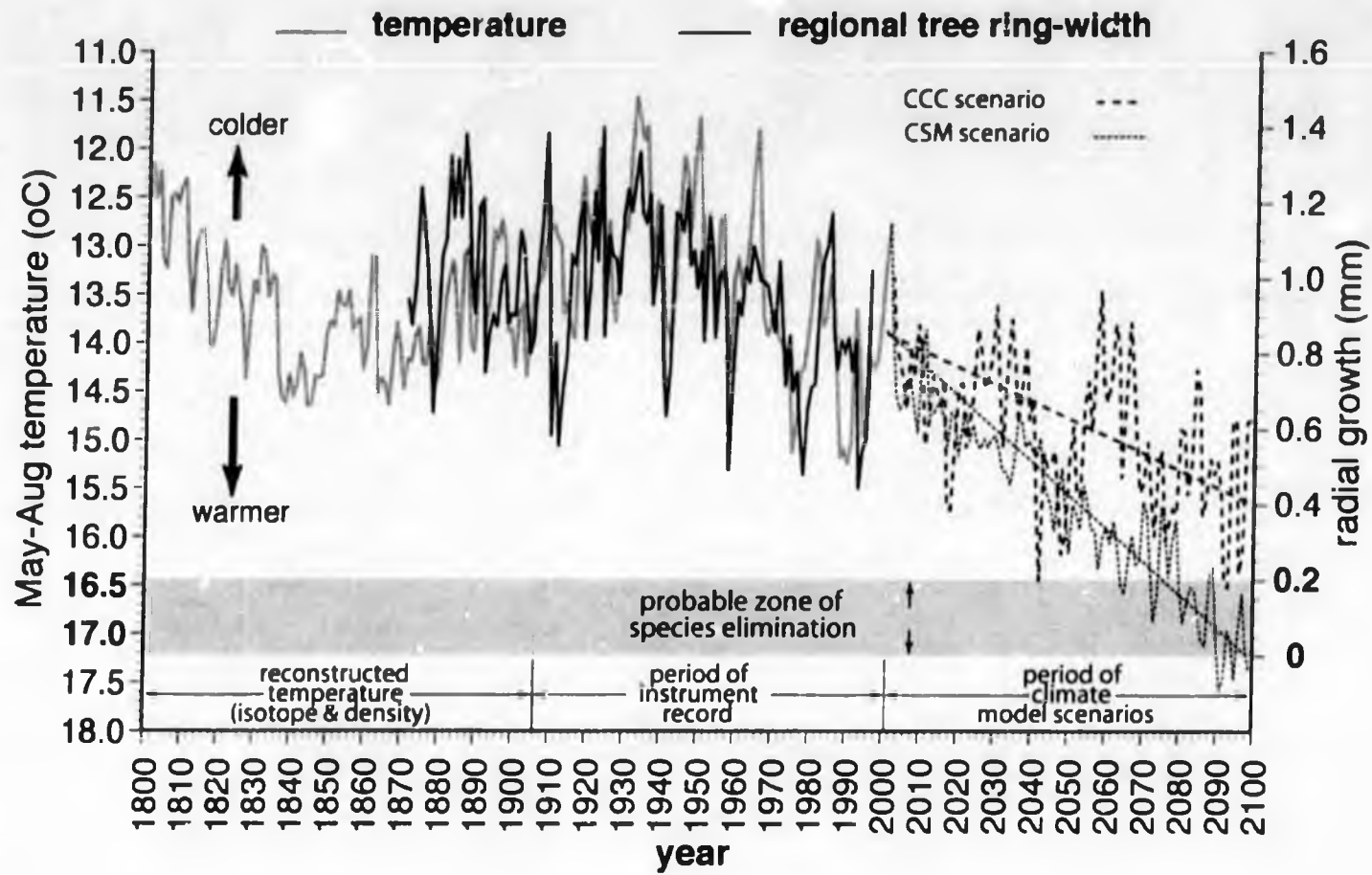
## 5. Growing/thawing season is now much longer



## 6. Hot summer days allow the spread wildfires



# 7. Commercial white spruce in central Alaska grow less in warm summers. With additional warming they won't grow at all.



## **HCR 30 Will Help Alaska Prepare for and Reduce the Impacts of Climate Change**

Too many Alaskans are subject to the effects of the changing climate. Each year weather patterns are damaging Alaska's vital infrastructure, irreplaceable cultures, and essential revenue resources. Many states and communities across the country are beginning to develop adaptation strategies to minimize the economic costs and other impacts of climate change. HCR 30 will build upon existing information, such as the Arctic Climate Impacts Assessment, to assess the current and potential effects of climate change in Alaska and to recommend adaptation, mitigation, and monitoring techniques that can be adopted to minimize the potential serious detrimental impacts of climate change.

Following are a few facts about impacts of climate change:

- Climate change impacts are an issue of economics.
- The North Slope of Alaska's air temperature has increase 1.2 to 3.4 degrees Celsius above the global mean for the 20<sup>th</sup> century.
- Increase in season length and surface air temperatures could allow contaminants to migrate through active permafrost layers to surface water sources used by humans and wildlife.
- Climate change is likely to have significant impacts on existing arctic infrastructure and on all future development in the region.
- Interior Alaska's permafrost has warmed in some places to the highest level since the ice age ended 10,000 years ago, its temperature now within a degree or two of thawing.
- Climate change in the Arctic in the past has had major influences on the ebb and flow in availability of wildlife to indigenous peoples and thus have influenced their distribution and the development of their cultures.
- In Southcentral, several salmon streams are now exceeding ADF&G threshold temperatures, leading to increased susceptibility to disease and parasites.
- Scientists predict the summertime Arctic could be ice-free before the end of the century, opening up northern sea routes but threatening the existence of polar bears and disrupting the marine environment.
- Tree growth has decreased at Interior Alaska sites that were promising for commercial harvest. The warming lowers the water available to white spruce, black spruce and birch.
- Warming makes forests more susceptible to fire and insect outbreaks.
- Shrubs have thrived in the greater warmth and in turn accelerate warming.
- Between 1979 and 2001, sea ice cover retreated 6.5 percent per decade. By the summer of 2005, the rate had leapt to about 8 percent.

Now, Alaska has a chance to respond to these and other impacts in a manner that will better serve and protect people, property, and revenue in this state.

**HCR 30 would allow for a commission of 13 qualified members to develop a comprehensive, preventative assessment and adaptation plan to address these issues that will help save lives, protect public health, preserve economic and resource development, and protect valuable infrastructure.**

Infrastructure is defined as facilities with permanent foundations or the essential elements of a community. It includes schools; hospitals; various types of buildings and structures; and facilities such as roads, railways, airports, harbors, power stations, and power, water, and sewage lines. Infrastructure forms the basis for regional and national economic growth. An increase in environmental stresses caused by climate change expose structures to an increased risk of damage to infrastructure and threaten human lives.

**How can the Alaska Impact Assessment Commission make a difference?**

- The Alaska Impact Assessment Commission will make a difference by formulating methods to identify problem areas, estimating costs and opportunities, developing strategies to address emergency situations, and provide solid advice to the legislature as well as the communities in the state.

**Areas in which climate change effects:**

- Arctic Tundra and Polar Desert Ecosystems
- Freshwater Ecosystems, Fisheries, and Marine Systems
- Wildlife
- Hunting, Herding, Fishing, and Gathering
- Forestry, Land Management, and Agriculture
- Human Health
- Infrastructure: Buildings, Support Systems, and Industrial Facilities

## **Alaska HCR 30 Will Help Prevent And Prepare for the Impacts of Climate Change**

Alaska is not the only state that feels the impacts of climate change. Delaying action until we have a greater certainty could be disastrous. The scientific understanding of climate change is now sufficiently clear to justify nations taking prompt action. The key is to integrate science and policy.

Following are a few facts and theories about impacts of climate change:

- The earth's temperature will keep rising, somewhere between 1.5 and nearly 6 degrees C by 2100.
- A global shift of 6 degrees C downward would make the difference between our current climate and an ice age. Impacts on sea level alone will impact half or more of the world's population who live in the coastal areas.
- More than a third of the U.S. coastal wetlands could be lost.
- The average global temperature has risen since the mid-19<sup>th</sup> century, by 0.6 degree C (roughly 1 degree F), and the amount of carbon dioxide in the atmosphere has increased about 30 percent from preindustrial times.
- Carbon dioxide and methane trap enough energy on earth to warm the surface up about 33 degrees C, higher than it would be in their absence.
- CO2 can retard plant growth instead of increasing it and reduce the diversity of plant species.
- Climate change prompts genetic change, making some animal species more vulnerable to extinction.
- Impacts include the sea level rising as much as 34 inches; increase in precipitation; threats to human health; and less of life from floods and storms.
- Harmful effects may be occurring in the West: record dry spells, millions of acres of dead forests, warmer winters, dwindling water and catastrophic wildfires.
- Canada's Mackenzie Valley pipeline is being threatened by climate change and the impact on the permafrost.

### **States taking initiative:**

**Montana** – a climate change advisory board to come up with recommendations by July 2007 to cut greenhouse gases.

**Arizona** – climate change panel will report by June 30.

**Oregon** - plans to adopt limits on power plant emissions.

**Washington** – plans to adopt limits on auto tailpipe emissions.

**California** – has a "climate action team" due to report in June on finding ways to cut emissions 2010, with further reductions by 2020.

**New Mexico** – has set targets for cutting greenhouse emissions and has asked a climate team to recommend by December how to make the cuts.

Why It is Important for the Alaska Legislature to  
Create an **Alaska Climate Change Commission or Task Force** in 2006  
In Support of SB 278 and HCR 30

**Why Alaska Needs a Climate Change Commission Now:**

**1) Climate change is significantly impacting Alaska.** Throughout Alaska, climate change is affecting every aspect of our state: infrastructure; communities; fish and wildlife; forests and other vegetation; fire hazard; winter activities; sea ice; permafrost; glaciers; lakes and rivers; oceans; transportation; health; hunting and fishing opportunities; storms; and coastal erosion; while causing significant economic and social impacts for Alaska citizens.

**2) These impacts need to be understood and quantified.** Setting aside *causes* of this warming trend, state government should draw, to the greatest extent possible, upon the many scientific reports on the potential *effects* so that Alaska can:

- Reduce and adapt to these impacts through proactive mitigation, where possible;
- Seek appropriate federal appropriations and grants to address the impacts; and
- Begin capitalizing strategically on opportunities associated with climate change.
- Partner with states and corporations that are developing mitigation strategies.

**3) The Commission should be established now.** It is important to create the Commission *now* so that it can assemble - by 2008 - needed economic, scientific, engineering and public information about climate change in Alaska because:

- Certain impacts need prompt attention in terms of federal appropriations and/or other proactive mitigation;
- Federal legislation may be passed in the near future to address climate change. This legislation likely will have provisions regarding adaptation and compensation, and Alaska will need to provide detailed analysis and documentation to obtain its fair share.
- There is an increasing need among Alaska community leaders, state officials, planners, managers, businesses, and others to understand future scenarios for climate change and how they can and should most effectively respond to it.

**Why a Climate Change Commission/Task Force Will Help Alaskans:**

**1) Coastal Communities at Risk**

**Problem:** Climate change is threatening many of Alaska's coastal communities because of increased storms, erosion, warming permafrost and sea-level rise. A 2004 Government Accountability Office report estimated that 86 percent of Alaska Native villages experience flooding and erosion, with many in imminent danger. The estimated cost of relocating just one of these villages ranges from \$100 million to \$400 million.

**Support**

**Why a Commission/Task Force is Needed:** The Commission will gather the data necessary to assess the scope of the problem; develop strategies for addressing the problem (engineering solutions, social service needs, relocation as necessary, etc.); and determine the costs for implementing those strategies, which will be communicated to our Congressional delegation and others.

## **2) Fisheries Threats**

**Problem:** Warming ocean and river temperatures, increased siltation from melting glaciers, and new parasites and diseases threaten Alaska fisheries and the billion dollar economy and 49,000 jobs it supports. Salmon in particular are threatened by many aspects of climate change, with river temperatures increasing throughout Alaska and the emergence of the disease *Ichthyophonus* in Yukon River salmon.

**Why a Commission/Task Force is Needed:** The Commission will assess the threat to fisheries, analyze potential mitigation methodologies (including management, research, and enhancement), and make recommendations to the legislature based on the best information from ADF&G, the scientific community, fishermen, and others.

## **3) Permafrost Melting -- Impacts on Transportation and Other Infrastructure**

**Problem:** Permafrost is found over approximately 80 percent of Alaska. The average temperature of permafrost in Alaska has increased 3°F since the early 1980s, leading to shrinking wetlands, lakes and ponds and damaging roads, buildings, airstrips, and utilities.

**Why a Commission/Task Force is Needed:** The Commission will assess the amount of damage that is likely to be caused by melting permafrost to existing structures and roads, quantify those costs for maintenance and mitigation relief, and help recommend the best available engineering and other solutions to minimize future infrastructure damage. This will benefit businesses throughout Alaska and Alaska's overall economy.

## **4) Forest Diseases, Fires and Other Concerns.**

**Problem:** Climate change is having an impact on all of Alaska's forests. In Southeast, yellow cedar is dying off from root exposure in the winter; in Southcentral, nearly 4 million acres of mature white spruce forest was killed by spruce bark beetle infestation; in the Interior, forest fires have ravaged more than 10 million acres in the last three years.

**Why a Commission/Task Force is Needed:** Scientists, land managers, the legislature, and the public need to assess and then examine how adaptively manage our forests in a changing climate. Economic analysis is also need to determine what impacts these threats will have on the forest products industry and the hundreds of jobs it supports.

### **5) Public Health and Safety**

**Problem:** Increased flooding and infrastructure damage, unstable river and sea ice, expanded animal ranges, rising temperatures, and other climate impacts will affect health and safety throughout Alaska. New diseases such as West Nile Virus could arrive, as well as.

**Why a Commission/Task Force is Needed:** To identify wastewater collection, treatment and disposal systems threatened by increased storms and unstable permafrost; analyze health impacts of the loss of traditional foods and hunting/fishing opportunities; and, develop a plan for treating emerging health effects.

### **6) Winter Events and Tourism**

**Problem:** Many Alaskan communities depend on winter events to generate off season income. These events, such as Fur Rondy races, are often faced with cancellation due to lack of snow. Community, private ski facilities and support businesses are opening later and later and are faced with declining revenues. Major tourist attractions such as Mendenhall Glacier and Portage Glacier are also at risk.

**Why a Commission/Task Force is Needed:** The Commission will assess which of these events, sites and facilities are most susceptible to climate change impacts and make appropriate recommendations.

### **7) Assessing Opportunities**

**Opportunities:** Alaska has several potential opportunities associated with climate change, such as: opening the Arctic Ocean to summer vessel traffic and commercial fishing, increased agriculture, carbon sequestration, renewable energy, etc. Federal legislation is also being developed to address climate change that may include funding to help affected areas adapt to the impacts.

**Why a Commission/Task Force is Needed:** To capitalize quickly and fully on these opportunities, decision-makers need to understand what they are and what actions need to be taken to support them. The research and analysis will also help Alaska make the case to federal policymakers that assistance is needed to adapt to climate impacts.

HJR

4

# Representative Mike Hawker

## Alaska State Legislature



### House Joint Resolution 4 Sponsor Statement

*Session:*

State Capitol  
Juneau, AK 99801  
907 465-4949 direct  
800 478-4950 toll free  
907 465-4979 fax

*Interim:*

716 W 4<sup>th</sup> Avenue  
Anchorage, AK 99501  
907 269-0244 office  
907 269-0248 fax

*Member:*

House Finance Committee  
Legislative Budget  
& Audit Committee

*House District 32:*

Eagle River  
Anchorage  
Rainbow  
Indian  
Bird  
Girdwood  
Portage  
Whittier  
Sunrise  
Hope

**"Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge, Alaska, to oil and gas exploration, development, and production"**

House Joint Resolution 4 urges the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to environmentally responsible oil and gas exploration, development and production.

Opening ANWR is a vital key to relieving Alaska's financial pressures, protecting Alaskans' jobs and sustaining our economic growth. Oil production from ANWR will improve America's energy security and provide new jobs throughout the country.

Alaska has proven that Arctic oil and gas resources can be developed in an environmentally responsible manner consistent with protection of wildlife and preservation of traditional lifestyles and human values. Exploration in ANWR will be the most environmentally and socially responsible oil development undertaken anywhere in the world.

Alaska's persistent and patient efforts to educate Americans and build the national consensus we need to access our resources within ANWR have been successful. With the seating of a new Congress in Washington, we are on the brink of achieving our objective. It is vitally important that the 24<sup>th</sup> Alaska Legislature endorse previous legislatures' efforts, demonstrate our solidarity and enthusiastically state our support for opening ANWR.

This resolution mirrors those passed by previous Alaska legislatures and will be a cornerstone of this legislature's commitment to responsibly develop our natural resources, promote sustained economic expansion, create good job opportunities for our citizens and assure safe, growing and healthy communities throughout our state.

*adopted no obj.*

24-LS0179A.1  
Chenoweth  
1/14/05

**AMENDMENT**

OFFERED IN THE HOUSE  
TO: HJR 4

BY REPRESENTATIVE *Samuels*

- 1 Page 3, line 23, following "Representatives;":
- 2       Insert: "the Honorable Nancy Pelosi, Minority Leader of the U.S. House of
- 3 Representatives;"
- 4
- 5 Page 3, line 24, following "Senate;"
- 6       Insert: "the Honorable Harry Reid, Minority Leader of the U.S. Senate; the Honorable
- 7 Pete V. Domenici, Chair of the Energy and Natural Resources Committee of the U.S. Senate;"

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR004-DNR-O&G-01-1  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title Endorsing ANWR Leasing RDU Resource Development  
 Component Oil and Gas Development  
 Sponsor Reps. Hawker, Samuels, Ramras  
 Requester House Oil and Gas Component No. 439

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

No fiscal impact anticipated with passage of this resolution.

Prepared by: Mark D. Myers Phone 269-8800  
 Division Oil and Gas Date/Time 1/14/2005  
 Approved by: Tom Irwin, Commissioner Date 1/14/2005  
 Agency Natural Resources

# ALASKA STATE LEGISLATURE HOUSE RESOURCES COMMITTEE

Representative Jay Ramras

Co-Chairman

(907) 465-3004

Fax: (907) 465-2833

Representative\_Jay\_Ramras@legis.state.ak.us

119 N. Cushman St., Suite 213

Fairbanks, AK 99701



Representative Ralph Samuels

Co-Chairman

(907) 465-2095

Fax: (907) 465-3810

Representative\_Ralph\_Samuels@legis.state.ak.us

716 W. 4th Avenue

Anchorage, AK 99501

State Capitol, Juneau, Alaska 99801-1182.

**Fax**

To: Jack Chenoweth

Fax #: 465-2029

Number of pages including cover: 2

Fm: Jim Pound 

Cc: Henry Webb. Rep. Samuels Office

Date: January 26, 2005, 3:25 PM

Re: Amendments to CS for JHR 4 (O&G)

---

Please prepared a House Resources CS for CS for JHR 04 (O&G) 24-LS0179\G to include the amendment 24-LS0179\G.1 and the conceptional amendment proposed and approved by the committee by rep. Seaton.

Thanks

Jim

The information contained in this fax is **CONFIDENTIAL** and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address.

Thank you

AMENDMENT # 1  
by Ramrus

OFFERED IN THE HOUSE  
TO: CSHJR 4(O&G)

1 Page 2, following line 13:

2 insert a new clause to read:

3 "WHEREAS the Trans Alaska Pipeline System, a transportation facility that is a  
4 national asset and that would cost billions of dollars to replace, would have its useful physical  
5 life extended for a substantial period if the additional reserves of recoverable oil from the  
6 coastal plain were produced; and"

7 Page 2, line 15. following "Alpine."

8 Delete "Badami"

9 Insert "North Star"

Amend #2 Conceptional - by Seaton

~~Distribute to all members of  
the US House + Senate via  
electronic means.~~

and send ~~to all~~ electronically to  
all other members of the U.S. House  
and the U.S. Senate

# HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: January 21, 2005

FURTHER REFERRALS:

Date of Committee Action: 1/26/05

The RESOURCES Committee considered:

HJR 4

HOUSE JOINT RESOLUTION NO. 4

ENDORING ANWR LEASING

Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge, Alaska, to oil and gas exploration, development, and production.

Recommends it be replaced with  HCS or  CS for CSHJR 4 (RES) (RES)  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LEG  
 LAW  
 LWF  
 MVA  
 ENR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
<small>* Assigned by Chief Clerk's Office</small>				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	OLSON	✓			
	KAPSNER	✓			
	SEATON	✓			
	ELKINS	✓			
	SAMUELS	X			
	RAURAS	X			
Chair:					
Chair:					

# Representative Mike Hawker

## Alaska State Legislature



### House Joint Resolution 4 Sponsor Statement

*Session:*

State Capitol  
Juneau, AK 99801  
907 465-4949 direct  
800 478-4950 toll free  
907 465-4979 fax

*Interim:*

716 W 4<sup>th</sup> Avenue  
Anchorage, AK 99501  
907 269-0244 office  
907 269-0248 fax

*Member:*

House Finance Committee  
Legislative Budget  
& Audit Committee

*House District 32:*

Eagle River  
Anchorage  
Rainbow  
Indian  
Bird  
Girdwood  
Portage  
Whittier  
Sunrise  
Hope

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Opening ANWR is a vital key to relieving Alaska's financial pressures, protecting Alaskans' jobs and sustaining our economic growth. Oil production from ANWR will improve America's energy security and provide new jobs throughout the country.

Alaska has proven that Arctic oil and gas resources can be developed in an environmentally responsible manner consistent with protection of wildlife and preservation of traditional lifestyles and human values. Exploration in ANWR will be the most environmentally and socially responsible oil development undertaken anywhere in the world.

Alaska's persistent and patient efforts to educate Americans and build the national consensus we need to access our resources within ANWR have been successful. With the seating of a new Congress in Washington, we are on the brink of achieving our objective. It is vitally important that the 24<sup>th</sup> Alaska Legislature endorse previous legislatures' efforts, demonstrate our solidarity and enthusiastically state our support for opening ANWR.

This resolution mirrors those passed by previous Alaska legislatures and will be a cornerstone of this legislature's commitment to responsibly develop our natural resources, promote sustained economic expansion, create good job opportunities for our citizens and assure safe, growing and healthy communities throughout our state.

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR004-DNR-O&G-01-1  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title: Endorsing ANWR Leasing RDU: Resource Development  
 Component: Oil and Gas Development  
 Sponsor: Reps. Hawker, Samuels, Ramras  
 Requester: House Oil and Gas Component No. 439

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUE</b>						
--------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

No fiscal impact anticipated with passage of this resolution.

Prepared by: Mark D. Myers Phone 269-8800  
 Division: Oil and Gas Date/Time 1/14/2005  
 Approved by: Tom Irwin, Commissioner Date 1/14/2005  
 Agency: Natural Resources

**Alaska State Chamber of Commerce  
2005 Priority  
Open ANWR**

The Alaska State Chamber of Commerce supports Alaska's role in providing this nation with a major portion of its domestic oil and encourages the United States Congress to pass a bill opening the coastal plain of the Arctic National Wildlife Refuge to responsible exploration, development, and production of its oil and gas resources.

Oil exploration and development activity can be conducted in a manner that protects the wildlife and the environment.

The Alaska State Chamber of Commerce opposes any efforts to declare the coastal plain of ANWR a wilderness area.

The Alaska State Chamber of Commerce urges the Governor and Legislature to continue to support and actively participate in efforts to open the Coastal Plain of ANWR to environmentally responsible oil and gas development and to appropriate the necessary resources to attain congressional approval of environmentally responsible development within the 1002 area of ANWR.



January 11, 2005

The Honorable Mike Hawker  
Alaska State Legislature  
State Capitol #502  
Juneau, Alaska 99801-1182

Dear Representative Hawker,

**ANWR:**

**JOBS AND ENERGY  
FOR AMERICA**

**ARCTIC POWER**

4041 B STREET, 2<sup>ND</sup> FLOOR  
P.O. BOX 100220  
ANCHORAGE, ALASKA 99503  
(907) 274-2697 (ANWR)  
FAX (907) 274-2706

[www.anwr.org](http://www.anwr.org)

300 F STREET, N.E.  
WASHINGTON, D.C. 20002  
(202) 544-5363

[www.anwr.org](http://www.anwr.org)

This letter is in support of and urging your fellow member's support of HJR 4, *'A resolution urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge, Alaska, to oil and gas exploration, development and production'*.

The Arctic National Wildlife Refuge is the nation's best source for domestic energy production, while creating thousands of high-paying jobs and creating substantial revenues for both the federal government and the State of Alaska.

The coastal plain of ANWR represents the largest known on-shore reserve of oil resources in North America. The State of Alaska has a proven track record as a world leader in oil exploration, with over 40 years of environmentally responsible production. This positive record will continue, as "ANWR will require the tightest environmental standards ever imposed," as noted by U.S. Secretary of Interior Gale Norton.

Alaskans know that we can develop our resources responsibly and with concern for our natural environment. In fact, over 75% of Alaskans support the responsible development of ANWR.

In addition, the residents of Kaktovik, the *only* village located within ANWR, support responsible development of their lands so that they too can benefit from their resources in the form of jobs, public infrastructure, and a strengthened rural economy.

The United States is alarmingly dependent upon foreign oil; with over 63% of our petroleum energy needs coming from abroad. This represents over \$174 Billion (\$174,246,000,000) that exits our economy only to enrich other governments. ANWR oil production can directly replace the imports from Saudi Arabia for over 30 years.

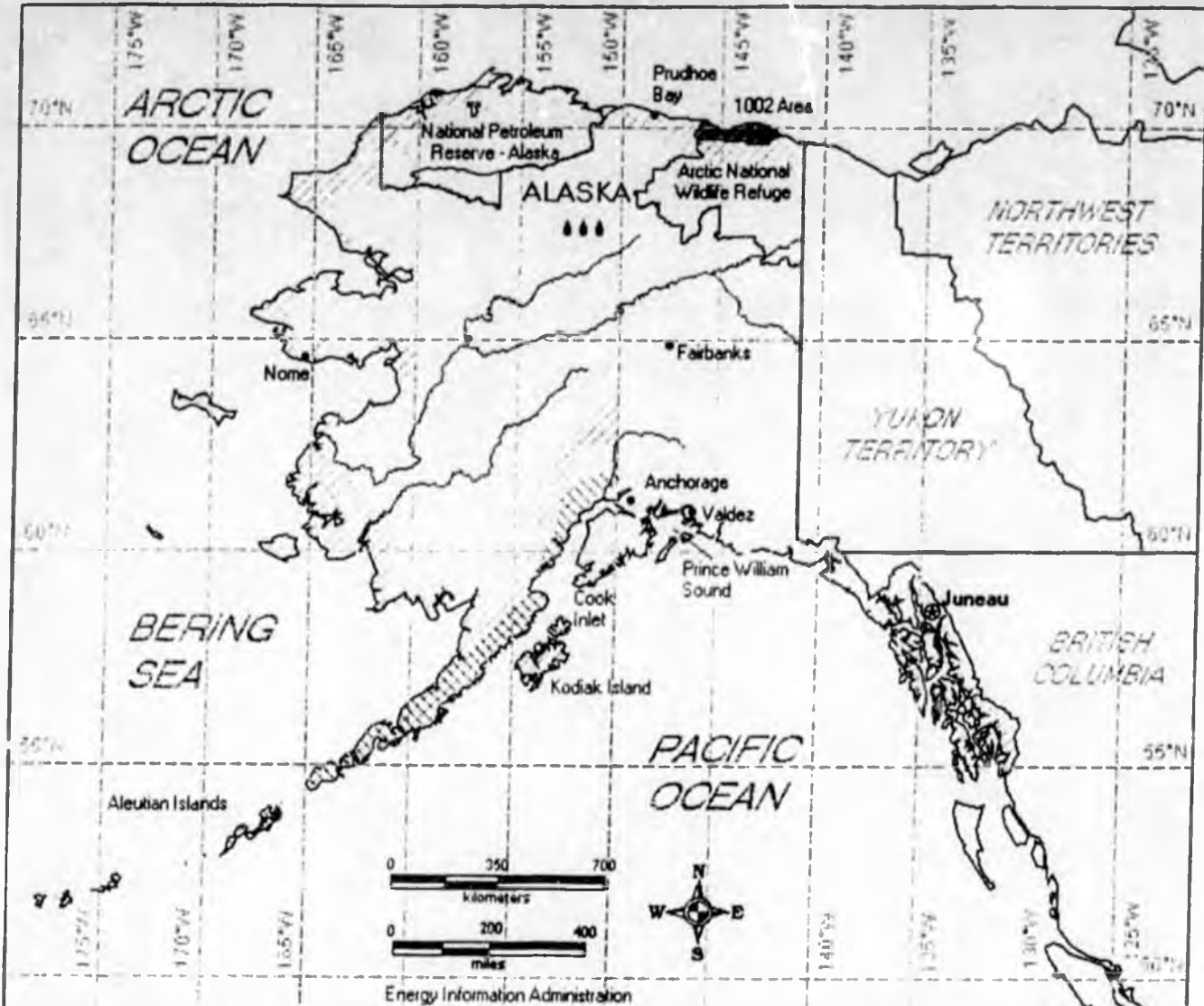
We as Alaskans understand that responsible exploration of a small portion of ANWR can take place while gaining the benefits of thousands of jobs, increased revenue to the state government, production of a safer domestic energy supply, and the ability to further the economic life of the Trans-Alaska Pipeline System (TAPS).

I urge you to support this call to Congress for the opening of ANWR. Join the majority of Alaska residents who support the responsible use of our resources for the benefit of Alaska.

Sincerely,

Gail Phillips  
Co-Chair

Al Adams  
Co-Chair



Rivers	Rivers/State Borders	State Capitals	Clean City Programs	State Capitals with Clean City Programs	
Average Annual Precipitation (in. inches)		Fuelwood Harvested (3+ million cubic ft/yr)	Solar Radiation (kWh/m <sup>2</sup> /day)	Geothermal Potential (80+ mill-Watts/m <sup>2</sup> )	Wind Resources Power Class 4 or greater
0-09	30-39		0-4		
10-19	40-49		4-6		
20-29	50-59	6-9+			

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- ◆ Contact: Barbara.Fichman@eia.doe.gov ◆ 202-586-5737 ◆ Energy Information Administration
- ◆ File created: October 9, 2002

# Alaska Sets the Standards

**T**he 49th State issues this challenge: Compare your state's oil and gas industry environmental standards with Alaska's. **How does your state measure up?**

Arctic Alaska oil expert Roger Herrera says:

**"Even operating in the most challenging conditions on the planet, no one can beat us. Our oil development is so clean we ought to call it 'organically produced' and charge \$5 more a barrel for it!"**

More than 13 billion barrels of oil have traveled from Alaska's North Slope to tidewater via the Trans-Alaska pipeline. Here are some of the practices that protect humans, wildlife and the environment. They represent the "culture" prevalent in all North Slope activities.

**Animal/human interactions:** All North Slope workers undergo mandatory training in wildlife/human interactions. With exceptions for safety considerations, animals have the right of way over equipment, vehicles and humans. Airplane takeoffs and landings are generally prohibited if animals are on or near runways. No interaction — feeding, touching, harassing or shooting of wildlife — is allowed. Driving or walking in flyway areas when birds are present is prohibited, as is any disturbance of nests.

Caribou movement in most fields is free and unencumbered with 5-7 foot elevated pipelines and gravel ramps. Where wildlife experts recommend, lines are elevated 12 inches to allow drainage and movement by flightless waterfowl. Dumpsters are bear-proofed, and once-abandoned gravel pits are now flooded to provide overwintering habitat for fish. Wildlife populations are routinely monitored; studies document many population increases and no population decreases.

**Vehicle handling:** Some 1500 vehicles operate at Prudhoe Bay. Vehicles are "diapered" or modified to contain oil and antifreeze leaks. All slope commercial operators are trained, licensed, and undergo random drug testing. Vehicles receive strictly-scheduled preventive maintenance, inspections and repairs.

**Materials and waste handling:** All batteries used on the North Slope are shipped south and recycled. Chemicals, paint, biocides, natural gas derivatives and tarring substances are stored in secure buildings to prevent exposure to wildlife. Underground confined disposal of drilling fluids and other process wastes is subject to strict permitting requirements that protect human health and the environment. Anything that can be recycled is recycled, including wastewater.

**Air Quality:** Monitoring conducted since oil production began shows air pollutant measurements well below applicable environmental standards. Except for nitrogen oxide, which generally measures 15-20% below allowable levels, pollutants are normally at minimum detec-



**Central Arctic Caribou Herd**

tion levels of testing instruments. Pollutant effects on vegetation are minimal. To reduce emissions, minibuses transport most oil field workers between sites. During cold weather above -30 degrees, vehicle engines are not allowed to idle where plug-ins are available.

**Spill Prevention:** In spite of strict prevention procedures, spills of seawater, produced water, oil or chemical substances occur. Between 1995 and 2000, 62% of all spills were between 7

tablespoons and 10 gallons; 25% between 11

*(continued on next page)*

## JOBS AND ENERGY FOR AMERICA

and 100 gallons; 10% between 101 and 1000 gallons, 3% more than 1000 gallons. Brine, or seawater, represented 85% of spills; crude and refined oil 9%; other substances 6%. Each spill is reported, cleaned up by 24/7 spill response crews, and inspected by industry officials and government regulators. Although 96% of crude oil spilled has been recovered, industry's goal is 100%.

An oil spill response cooperative, Alaska Clean Seas (ACS), is staffed by experienced technicians who also train operating company and contractor personnel. ACS maintains cleanup materials and equipment and continually seeks new and better technology. Spill contingency plans provide blueprints for responding to any size spill on land or water. New technology, such as the military-designed forward-looking infrared scanner, is used to detect and define pipeline damage or spills from the air. Most spills never reach the tundra due to built-in containment and secondary containment measures. Rehabilitation techniques for impacted tundra successfully restore wildlife habitat.

**Drilling Impacts:** If built today, the 5600 acres occupied by Prudhoe Bay development would shrink to 1500 acres. New production well pads are as much as 75 percent smaller than older pads. This resulted from a commitment to consolidated contractor facilities, closer well spacing and more compact building designs. Increased automation and remote-control operations have reduced the need for road connections to many sites.

Drilling innovations continue to allow for smaller land surface impacts. Ice roads and pads provide the foundation for exploration and drilling activities without leaving a trace after thawing. New "through-tubing rotary drilled" wells are now penetrated through pre-existing tubing, eliminating the need for removing tubing with drill rigs. Coiled tubing units, long used for well maintenance, are now used to penetrate down-hole directional equipment.

"Designer wells" are made possible with 3-D and 4-D seismic, allowing reservoir engineers to plot

### Alpine oil field: technological advances shrink the footprint of development.



faults and small oil traps to within 100 feet of accuracy. This non-invasive seismic visualization dramatically reduces the numbers of future wells, pads and roads required. Onshore seismic work is done on frozen ground with air-cushioned rubber-tracked vehicles to lessen tundra scarring; offshore work is timed to avoid whale migration. New "multilateral" wells drill a main surface trunk to enable tapping into different reservoirs without cementing off the older well. This allows sharing above-ground facilities and building less infrastructure.

North Slope horizontal production well technology has developed rapidly since first used in 1990. Nearly all wells are now horizontally drilled. Today more than 8,000 feet of reservoir can be horizontally penetrated. Major side benefits are fewer opportunities for spills.

These high standards resulted from industry working hand in hand with local citizens and government. Skills gained by applying new technology and human ingenuity to North Slope environmental concerns are now readily exportable and in considerable demand as more remote global frontiers are explored.

Arctic Power is a grassroots organization advocating jobs and energy for Americans through responsible development of resources in the coastal plain of ANWR. For more information on this topic, contact Arctic Power at PO. Box 100220 • Anchorage, AK 99510 • Phone 907.274.2697 • Fax 907.274.2706 • or visit <http://www.anwr.org>



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**U.S. House of Representatives**  
**Committee on Resources**  
 Washington, DC 20515

February 23, 2004

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Mr. Guy F. Caruso  
 Administrator  
 Energy Information Administration  
 U.S. Department of Energy  
 1000 Independence Ave. SW  
 Washington, D.C. 20585

Dear Mr. Caruso:

On February 2, 2004, Senator John Sununu requested that EIA provide information regarding the impact of certain provisions of the conference report of the Energy Policy Act of 2003. Last week, the EIA produced an analysis of those provisions using the National Energy Modeling System (NEMS).

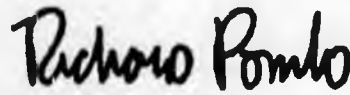
I ask that you perform a similar analysis for the potential impacts of Division C, Title III of the H.R. 6 as it passed the House. These Sections, 30401 through 30412, authorize the leasing of the Coastal Plain of the Arctic National Wildlife Refuge in Alaska for oil and gas exploration and development. I am particularly interested in the impact of these Sections compared to EIA's 2004 annual energy outlook. I would ask that you use as appropriate, EIA's May, 2000, analysis regarding potential oil production from the Coastal Plain (SR/O&G/2000-02).

If possible in the time allotted, I am also interested in EIA's assessment of whether there may be significant synergies involved between ANWR development and other Alaska North Slope development, including the impact of possible additional natural gas discoveries on the economics of a proposal to build a natural gas line to the lower 48 States. In other words, does EIA's analysis of the scenarios for ANWR development suggest that Alaska's North Slope could be a major contributor to domestic production of oil and natural for decades into the future?

Mr. Guy Caruso  
February 23, 2004  
page 2

I would appreciate receiving your analysis as soon as possible, but in any case by March 8, 2004. If you should have any further questions regarding this request, please do not hesitate to contact my Committee office.

Sincerely,

A handwritten signature in black ink that reads "Richard W. Pombo". The signature is written in a cursive, slightly slanted style.

Richard W. Pombo  
Chairman

# **Analysis of Oil and Gas Production in the Arctic National Wildlife Refuge**

**March 2004**

**Energy Information Administration**  
Office of Integrated Analysis and Forecasting  
U.S. Department of Energy  
Washington, DC 20585

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## Preface

On February 23, 2004, Representative Richard W. Pombo, Chairman of the U.S. House Committee on Resources, requested that the Energy Information Administration (EIA) provide an assessment of authorizing oil and gas leasing in the coastal plain of the Arctic National Wildlife Refuge (ANWR) in Alaska. In his request, Representative Pombo cited Division C, Title III, Sections 30401 through 30412 of the H.R. 6, "Energy Policy Act of 2003," as it passed in the House. Representative Pombo asked that the impact of this oil and gas leasing authorization be compared to the projections shown in the *Annual Energy Outlook 2004*. In addition, Representative Pombo asked EIA to assess whether there were any "significant synergies" regarding the opening of ANWR to oil and gas leasing and the potential construction of an Alaska gas pipeline, which would transport natural gas from the Alaska North Slope to the lower 48 States. This report responds to Chairman Pombo's request.

The legislation that established EIA in 1977 vested the organization with an element of statutory independence. EIA does not take positions on policy questions. It is the responsibility of EIA to provide timely, high-quality information and to perform objective, credible analyses in support of the deliberations of both public and private decision makers. This report should not be construed as representing the official position of the U.S. Department of Energy or the Administration.

The projections in the reference case used in this report are not statements of what will happen but of what might happen, given the assumptions and methodologies used. The reference case projections are business-as-usual trend forecasts, given known technology, technological and demographic trends, and current laws and regulations. Thus, they provide a policy-neutral starting point that can be used to analyze policy initiatives. EIA does not propose, advocate, or speculate on future legislative and regulatory changes. All laws are assumed to remain as currently enacted; however, the impacts of scheduled regulatory changes, when defined, are reflected.

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## Introduction

On February 23, 2004, Representative Richard W. Pombo, Chairman of the U.S. House Committee on Resources, requested that the Energy Information Administration (EIA) provide an assessment of authorizing oil and gas leasing in the coastal plain of the Arctic National Wildlife Refuge (ANWR) in Alaska.<sup>1</sup> In his request, Representative Pombo cited Division C, Title III, Sections 30401 through 30412 of the H.R. 6, "Energy Policy Act of 2003," as it passed in the House. Representative Pombo asked that the impact of this oil and gas leasing authorization be compared to the projections in the *Annual Energy Outlook 2004 (AEO2004)*.<sup>2</sup> He also requested that a prior EIA analysis of oil and gas development on the ANWR coastal plain be used, as appropriate.<sup>3</sup> Finally, Representative Pombo asked EIA to assess whether there were any "significant synergies" regarding the opening of ANWR to oil and gas leasing and the potential construction of an Alaska gas pipeline, which would transport natural gas from the Alaska North Slope to the lower 48 States.

This analysis presents three ANWR cases that assess the potential impact of oil and gas leasing in the coastal plain area of ANWR.<sup>4</sup> These ANWR cases represent the following potential oil resource levels:

- A mean oil resource case, which is based on the U.S. Geological Survey (USGS) mean probability estimate<sup>5</sup> of technically recoverable oil resources in the coastal plain area of ANWR;
- A low oil resource case, which is based on the USGS 95-percent probability estimate of technically recoverable oil resources in the coastal plain area of ANWR, and
- A high oil resource case, which is based on the USGS 5-percent probability estimate of technically recoverable oil resources in the coastal plain area of ANWR.

These three ANWR scenarios are compared to the *AEO2004* reference case, which serves as the analytical baseline for this report.<sup>6</sup>

<sup>1</sup> A copy of the request letter is included in Appendix A.

<sup>2</sup> Energy Information Administration, *Annual Energy Outlook 2004*, DOE/EIA-0383(2004), (Washington, DC, January 2004); <http://www.eia.doe.gov/oiaf/aeo/index.html>.

<sup>3</sup> Energy Information Administration, *Potential Oil Production from the Coastal Plain of the Arctic Wildlife Refuge: Updated Assessment*, SR/O&G/2000-2, (Washington, DC, May 2000); [http://www.eia.doe.gov/pub/oil\\_gas/petroleum/analysis\\_publications/arctic\\_national\\_wildlife\\_refuge/html/anwr101.html](http://www.eia.doe.gov/pub/oil_gas/petroleum/analysis_publications/arctic_national_wildlife_refuge/html/anwr101.html).

<sup>4</sup> The coastal plain of ANWR is roughly north of the Sadlerochit Mountains and west of the Aichilik River.

<sup>5</sup> The 95-percent probability estimate refers to a 19 in 20 chance of there being oil resources equal to the size of that estimate; the mean probability estimate refers to a 1 in 2 chance of there being oil resources equal to the size of that estimate; and the 5-percent probability estimate refers to a 1 in 20 chance of there being oil resources equal to the size of that estimate.

<sup>6</sup> A similar question was raised by Senator Frank Murkowski in a December 20, 2001, request. See Energy Information Administration, *The Effects of the Alaska Oil and Natural Gas Provisions of H.R. 4 and S. 1766 on U.S. Energy Markets*, SR/OIAF/2002-02, (Washington, DC, February 2002); [http://www.eia.doe.gov/oiaf/scvicerpt/aong/pdf/sroiaf\(2002\)02.pdf](http://www.eia.doe.gov/oiaf/scvicerpt/aong/pdf/sroiaf(2002)02.pdf).

## Analysis Summary

The opening of the ANWR 1002 Area to oil and gas development is projected to increase domestic oil production starting in 2013. In 2025, the coastal plain of ANWR is projected to reach 0.9 million barrels per day under the USGS mean oil resource case, and 0.6 and 1.6 million barrels per day under the low and high resource cases, respectively. These cases include the impact of production in the Federal 1002 Area plus Native lands and the State offshore area within a 3-mile limit.

Petroleum imports are projected to decline one barrel for every barrel of ANWR production. Opening the coastal plain of ANWR is projected to reduce 2025 oil import dependence from 70 percent in the *AEO2004* reference case to 66 percent in the mean resource case. The high and low oil resource cases project a 2025 oil import dependency of 64 percent and 67 percent, respectively. Expenditures on foreign oil and petroleum products are also projected to be lower in 2025 by \$8 billion dollars (2002 dollars) in the mean oil resource case, and by \$15 and \$6 billion dollars in the high and low oil resource cases, respectively.

The opening of the coastal plain of ANWR to oil and gas development is expected to have little impact on the development of an Alaska gas pipeline. Although the opening of ANWR might reduce the gas resource risk of building an Alaska gas pipeline, there is expected to be a much larger gas resource in the National Petroleum Reserve-Alaska (NPRa). The NPRa is currently being leased and explored for oil and gas resources, and has an expected gas resource base six times larger than that expected for the coastal plain of ANWR. The NPRa is expected to have a greater impact on reducing the gas resource risk associated with an Alaska gas pipeline than ANWR.

## Background

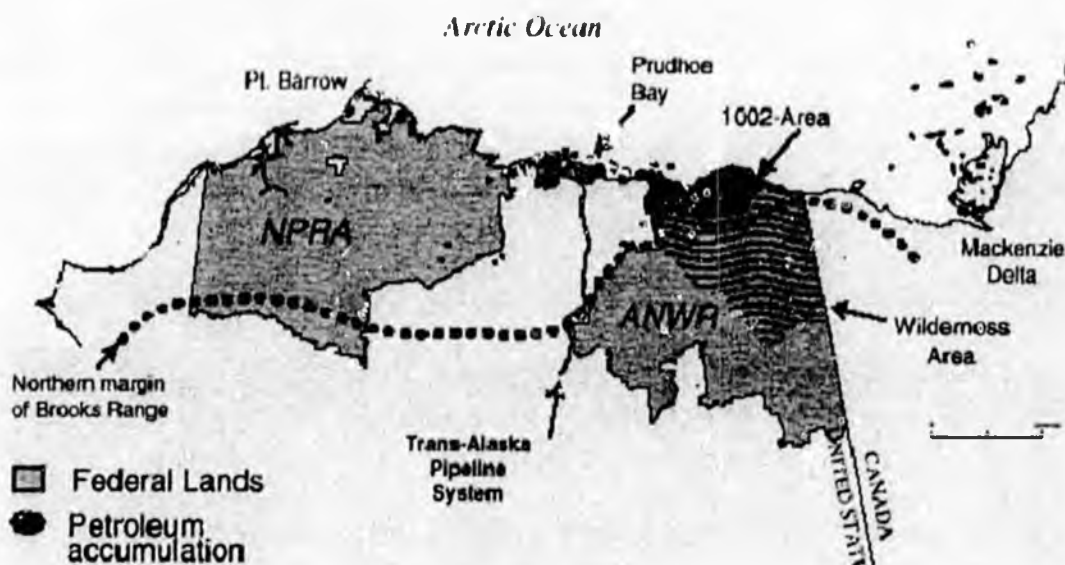
The Federal Government currently prohibits oil and natural gas development in ANWR. ANWR was created by the Alaska National Interest Lands Conservation Act (ANILCA) in 1980. Section 1002 of ANILCA deferred a decision on the management of oil and gas exploration and development of 1.5 million acres of Federal lands in the coastal plain of ANWR. Division C, Title III, Sections 30401 through 30412 of H.R. 6 proposes to open the 1002 Area to oil and gas exploration and production. The USGS estimates that 74 percent of the oil resources in ANWR's coastal plain area are on Federal lands, with the remaining 26 percent on State and Tribal lands.

The estimates presented in this report include oil production from the Federal 1002 Area, the Native lands within ANWR, and the State offshore areas of the coastal plain. The linkage between development on Federal and Tribal lands is legally driven: under terms of ANILCA, development on the Native lands can only proceed after a Congressional decision to open the Federal 1002 Area. In contrast, the linkage between development in ANWR and State offshore lands is economic, not legal; without ANWR development, the necessary infrastructure for offshore development would likely not be available. Since

both the State and Native corporations have expressed a strong interest in developing their respective oil resources, an approach that reflects the legal and economic linkages operating on the North Slope is appropriate in evaluating the potential production impact of a Congressional decision to allow development in ANWR. Estimates for the Federal 1002 Area alone, such as those in the USGS Economic Assessment issued in 1999,<sup>7</sup> are most useful for an assessment of physical development impacts within the Federal ANWR area and for development of Federal revenue estimates. The difference in geographical coverage is one of several important factors leading the results of this report to differ from those presented in the USGS Economic Assessment.

ANWR is located on the northern coast of Alaska, due east of both Prudhoe Bay, the largest oil field ever discovered in the United States, and NPRA (Figure 1.) Surveys conducted by the USGS suggest that between 5.7 and 16.0 billion barrels of technically recoverable oil<sup>8</sup> are in the coastal plain area of ANWR, with a mean estimate of 10.4 billion barrels, divided into many fields.<sup>9</sup> This estimate includes oil resources in Native lands and State waters out to a 3-mile boundary within the coastal plain area. The mean estimated size of oil resources in the Federal portion of the ANWR coastal plain is 7.7 billion barrels. In comparison, the estimated volume of technically recoverable,

**Figure 1. Map of Northern Alaska Showing ANWR and the Coastal Plain Area**



Source: Energy Information Administration, *Potential Oil Production from the Coastal Plain of the Arctic National Wildlife Refuge: Updated Assessment*. EIA/O&G/2000-02, May 2000.

<sup>7</sup> U.S. Geological Survey, "The Oil and Gas Resource Potential of the Arctic National Wildlife Refuge 1002 Area, Alaska," Survey Open File Report 98-34, 1999, Chapter EA (Economic Analysis).

<sup>8</sup> Technically recoverable resources are resources that can be produced using current technology.

<sup>9</sup> US Geological Survey, USGS Fact Sheet FS-028-01, April 2001; <http://pubs.usgs.gov/fs/fs-0028-01>.

accessible, unproved oil in the rest of the United States is 105 billion barrels, as of January 1, 2002.<sup>10</sup>

To date, there has been no assessment of the oil and natural gas resources in the rest of ANWR outside of the coastal plain area. However, it is unlikely that the non-coastal plain area of ANWR has the same level of resources that are estimated to be in the coastal plain area, due to differences in geology. The House version of the Energy Policy Act of 2003<sup>11</sup> calls for opening the coastal plain area to development and does not open any of the rest of ANWR.

## Methodology and Assumptions

The effects of opening the coastal plain area of ANWR were determined by incorporating the resources of that region into the National Energy Modeling System (NEMS).<sup>12</sup> The key assumptions required to forecast crude oil production from the coastal plain of ANWR are discussed below.

- **Timing of first production**

At the present time, there has been little exploration and development activity in the coastal plain region. The EIA report *Potential Oil Production from the Coastal Plain of the Arctic National Wildlife Refuge: Updated Assessment* suggested that between 7 and 12 years were required from an approval to explore and develop the coastal region of ANWR until first production. The study further noted that the time to first production could vary significantly based on the time required for petroleum leasing once approval to develop ANWR has been given. Environmental considerations and the possibility of drilling restrictions also could significantly affect projected schedules.

Following the earlier study, this analysis assumes that passage of the current legislation in 2004 will result in first production from the ANWR area in 10 years, i.e., 2013, assuming that the first lease sale occurs 22 months after enactment, as required by H.R.6 passed by the House of Representatives.

- **Timing of continuing development**

This study assumes that much of the oil resources in ANWR, like the other oil resources on Alaska's North Slope, could be profitably developed given the current levels of technology. This study assumes that new fields in the coastal plain of ANWR will be sequentially developed every 2 years after a prior field is opened.

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<sup>10</sup> Energy Information Administration, *Assumptions for the Annual Energy Outlook 2004*, DOE/EIA-0554(2004), (Washington, DC, February 2004), page 89, Table 50; [http://www.eia.doe.gov/oiaf/aeo/assumption/pdf/0554\(2004\).pdf](http://www.eia.doe.gov/oiaf/aeo/assumption/pdf/0554(2004).pdf).

<sup>11</sup> Energy bill: [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_bills&docid=f:h6el1.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_bills&docid=f:h6el1.txt.pdf).

<sup>12</sup> Energy Information Administration, *The National Energy Modeling System: An Overview*, DOE/EIA-0581(2003), (Washington, DC, March 2003); <http://tonto.eia.doe.gov/FTP/forecasting/05812003.pdf>.

The decision to use a 2-year lag in bringing fields into production is driven by four factors. First, there is the large expected size of the coastal plain of ANWR fields, which complicates the logistical problems associated with their development. Second, there is considerable investment infrastructure required both to begin production in these fields and to link these fields to the Trans Alaska Pipeline System (TAPS). Third, there is competition of financial resources from other domestic and foreign projects, including the projected development of oil fields in the NPRA, which potentially limits the resources available for ANWR development. Finally, increasing the rate of ANWR development might also require an expansion of TAPS throughput capacity.

This study does not assume that the expected rate of technological change in the oil and gas industry for exploration and development will affect the rate of development of ANWR. While a higher rate of technological development might reduce costs and lead to more efficient development of ANWR resources, the primary impediment to the development of ANWR resources is the current legal restriction, which precludes access to these oil resources.

- *Field size distributions*

The current analysis uses the USGS assessment of potential field sizes in the coastal plain area, based on its assessment of the underlying geology. For the purposes of evaluating the impact of opening ANWR for U.S. markets, EIA assumed that State and Tribal lands within the coastal plain of ANWR would be opened for development. In the mean oil resource case, the total volume of technically recoverable crude oil projected to be found within the coastal plain area is 10.4 billion barrels, compared to 5.7 billion barrels for the 95-percent probability estimate, and 16.0 billion barrels for the 5-percent probability estimate. Because the USGS 5-percent and 95-percent oil resource estimates are asymmetric around the mean estimate, the expected field size distribution and, in turn, the distribution of projected oil production are also asymmetric with respect to the mean estimate's field sizes and projected production.

In the mean oil resource case, the largest projected field in the coastal plain of ANWR is nearly 1.4 billion barrels. While considerably smaller than the 13-billion-barrel Prudhoe Bay field,<sup>13</sup> this would be larger than any new field brought into production in decades. Subsequent fields, which are developed through 2025 in the mean resource case, are expected to be smaller, with two additional fields with 700 million barrels of oil, four additional fields each with 360 million barrels of oil (Table 1). To put these field sizes in context with recent North Slope Alaska oil discoveries, the Alpine Oil field, the largest field to start producing in recent years, is estimated to have 435 million barrels of ultimate recovery.

These field size assumptions presume that the largest oil fields are developed first, based on the concept that the larger fields are generally easier to find and cheaper to develop.

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<sup>13</sup> The 13 billion barrels of Prudhoe Bay field oil represent the cumulative volume of oil expected to be produced from this field over its entire production life. The amount of in-place oil in Prudhoe Bay is estimated to be 25 billion barrels.

**Table 1. Oil Field Sizes and Their Date of Initial Production for the Three ANWR Resource Cases (million barrels)**

Year In Which Field Begins Production	Mean Oil Resource Case	Low Oil Resource Case	High Oil Resource Case
2013	1,370	700	2,000
2015	700	700	1,340
2017	700	340	1,340
2019	360	340	700
2021	360	340	700
2023	360	340	700
2025	360	180	700
<b>Total</b>	<b>4,210</b>	<b>2,940</b>	<b>7,480</b>

Source: Energy Information Administration, Office of Integrated Analysis and Forecasting.

- **Production profiles**

Potential production from ANWR fields is based on the size of the field discovered and the production profiles of other fields of the same size in Alaska with similar geological characteristics. In general, fields are assumed to take 3 to 4 years to reach peak production, maintain peak production for 3 to 4 years, and then decline until they are no longer profitable and are closed. Identical production profiles were used in the prior EIA report, *Potential Oil Production from the Coastal Plain of the Arctic National Wildlife Refuge: Updated Assessment*.

## Results

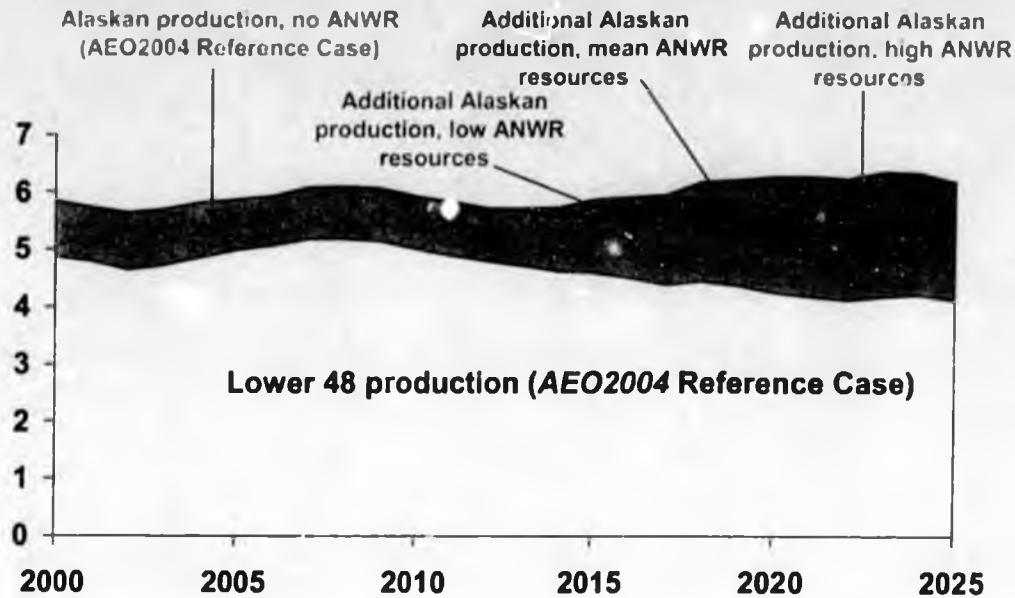
In the *AEO2004* reference case, total U.S. crude oil production is projected to grow from 5.8 million barrels per day in 2002 to 6.1 million barrels per day in 2008 (Figure 2).<sup>14</sup> After 2008, domestic oil production is projected to decline during the remainder of the forecast period, reaching 4.6 million barrels per day in 2025.

In the reference case, Alaska oil production is projected to continue at about 0.9 million barrels per day through 2016, with a projected drop in North Slope oil production offset by new oil production from the NPRA. After 2016, total Alaska oil production is projected to decline to 0.5 million barrels per day in 2025. The decline in Alaska oil production is expected to occur in all regions, including the State lands on the North Slope, the NPRA, and the southern Alaska oil fields of Cook Inlet.

In all three resource cases, ANWR coastal plain oil production begins in 2013 and grows during most of the forecast. In the mean oil resource case, ANWR oil production peaks

<sup>14</sup> The growth in U.S. crude oil production between 2002 and 2008 largely reflects the projected growth in offshore lower 48 oil production.

**Figure 2. Domestic Crude Oil Production for Three ANWR Resource Cases and the AEO2004 Reference Case, 2000-2025 (million barrels per day)**



Source: National Energy Modeling System runs anwr\_lo.d022304b, anwr\_hi.d022304b, and aeo2004.d101703c.

at 876,000 barrels per day in 2024. The low resource case production peaks at 639,000 barrels per day in 2024, while the high resource case production peaks at 1,595,000 barrels per day in 2023.

The opening of ANWR to oil and gas development includes the following impacts:

- Reducing the U.S. dependence on imported foreign oil;
- Improving the U.S. balance of trade;
- Extending the life of TAPS for oil;
- Increasing U.S. jobs; and
- Reducing world oil prices.

The remainder of this section focuses primarily on the first three impacts, because the employment impacts are difficult to determine and are not within the realm of EIA's expertise and because the impact on world oil prices is not expected to be significant. With respect to the world oil price impact, ANWR coastal plain oil production in 2025 is projected to constitute between 0.5 to 1.3 percent of total world oil consumption.<sup>15</sup> It is

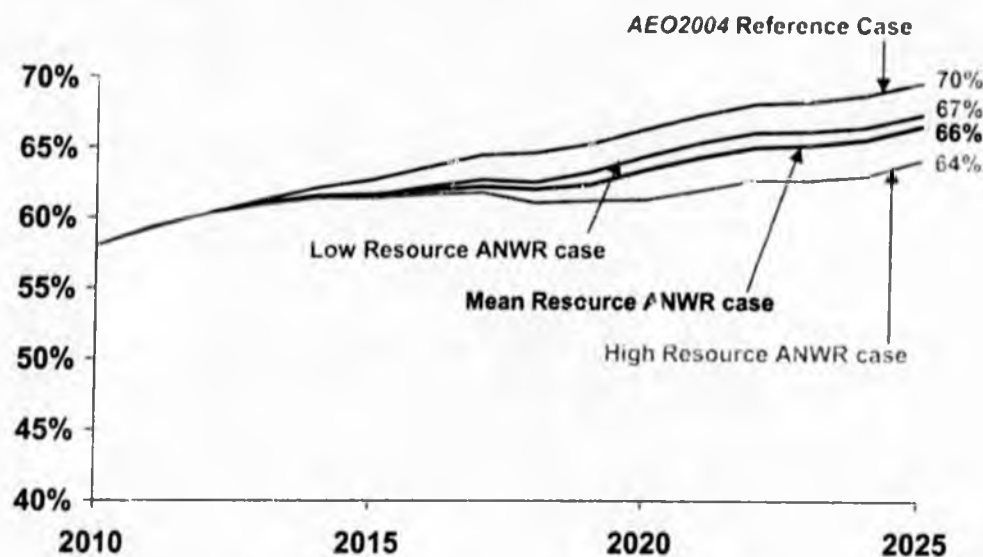
<sup>15</sup> Based, respectively, on the low and high oil resource case ANWR production levels in 2025. World oil consumption is projected to be 118.8 millions barrels per day in 2025, as published in Energy Information Administration, *International Energy Outlook 2003*, DOE/EIA-0484(2003), (Washington, DC, May 2003), Table A4, page 185; <http://www.eia.doe.gov/oiaf/ieo/index.html>.

expected that the price impact of ANWR coastal plain production might reduce world oil prices by as much as 30 to 50 cents per barrel, relative to a projected 2025 world oil price of \$27 per barrel (2002 dollars) in the *AEO2004* reference case. Assuming that world oil markets continue to work as they do today, the Organization of Petroleum Exporting Countries could countermand any potential price impact of ANWR coastal plain production by reducing its exports by an equal amount.

The leasing and development of ANWR oil resources potentially extends the life of TAPS. Currently, TAPS is believed to be uneconomic to operate once the oil throughput falls to between 200,000 to 400,000 barrels per day, depending on prevailing oil prices. Although the reference case projects North Slope production to be above this minimum level (i.e., 510,000 barrels per day in 2025), the development of ANWR coastal plain oil resources extends the life of this pipeline well beyond 2025. The retention of this oil pipeline infrastructure could prove crucial in the future, if and when other regions of North Alaska are leased and developed, such as the offshore Beaufort and Chukchi Seas.

ANWR coastal plain oil production is projected to reduce future petroleum imports on an equal barrel-to-barrel basis. In the *AEO2004* reference case, 70 percent of U.S. oil consumption is projected to be satisfied by crude oil and petroleum product imports in 2025. The mean oil resource case reduces the percentage of petroleum imports to 66 percent, with an import range of 64 to 67 percent for the high and low oil resource cases, respectively (Table 2 and Figure 3).

**Figure 3. Net Import Share of Petroleum Consumed in the United States for the Three ANWR Resource Cases and the *AEO2004* Reference Case, 2010-2025 (percent)**



Source: National Energy Modeling System runs anwr\_bs.d022304b, anwr\_lo.d022304b, anwr\_hi.d022304b, and aeo2004.d101703e.

**Table 2. Petroleum Supply Impact of Opening ANWR to Petroleum Development under Three Oil Resource Cases (million barrels per day, unless otherwise noted)**

Petroleum Supply Category	2002	2015			
		AEO2004 Reference Case	Mean Oil Resource Case	Low Oil Resource Case	High Oil Resource Case
U.S. Crude Production	5.8	5.5	5.8	5.8	5.9
---- Lower 48	4.8	4.6	4.6	4.6	4.6
---- Alaska	1.0	0.9	1.2	1.2	1.3
Net Crude Imports	9.1	13.5	13.2	13.2	13.1
Total Crude Supply	14.9	19.0	19.0	19.0	19.0
Natural Gas Liquids	1.9	2.3	2.3	2.3	2.3
Other Inputs	1.6	1.4	1.4	1.4	1.4
Net Product Imports	1.5	2.1	2.1	2.1	2.1
Total Primary Supply	19.9	24.8	24.8	24.8	24.8
Net Import Share of Total Primary Supply (percent)	53	63	62	62	61
Net Expenditures For Crude & Product Imports (billion 2002 dollars)	\$90.4	\$143.8	\$141.5	\$141.5	\$141.0
Petroleum Supply Category	2002	2020			
		AEO2004 Reference Case	Mean Oil Resource Case	Low Oil Resource Case	High Oil Resource Case
U.S. Crude Production	5.8	5.0	5.7	5.5	6.3
---- Lower 48	4.8	4.2	4.2	4.2	4.2
---- Alaska	1.0	0.7	1.5	1.3	2.1
Net Crude Imports	9.1	14.5	13.7	13.9	13.1
Total Crude Supply	14.9	19.5	19.4	19.4	19.4
Natural Gas Liquids	1.9	2.5	2.5	2.5	2.5
Other Inputs	1.6	1.5	1.5	1.5	1.5
Net Product Imports	1.5	3.0	3.0	3.0	3.1
Total Primary Supply	19.9	26.4	26.4	26.4	26.4
Net Import Share of Total Primary Supply (percent)	53	66	63	64	61
Net Expenditures For Crude & Product Imports (billion 2002 dollars)	\$90.4	\$169.0	\$161.9	\$164.3	\$157.0

**Table 2. (continued) Petroleum Supply Impact of Opening ANWR to Petroleum Development under 3 Oil Resource Cases (million barrels per day, unless otherwise noted)**

Petroleum Supply Category	2002	2025			
		<i>AEO2004</i> Reference Case	Mean Oil Resource Case	Low Oil Resource Case	High Oil Resource Case
U.S. Crude Production	5.8	4.6	5.5	5.2	6.2
---- Lower 48	4.8	4.1	4.1	4.1	4.1
---- Alaska	1.0	0.5	1.4	1.1	2.1
Net Crude Imports	9.1	15.7	14.8	15.0	14.0
Total Crude Supply	14.9	20.4	20.3	20.3	20.2
Natural Gas Liquids	1.9	2.5	2.5	2.5	2.5
Other Inputs	1.6	1.5	1.5	1.5	1.5
Net Product Imports	1.5	3.9	4.0	4.0	4.1
Total Primary Supply	19.9	28.3	28.3	28.3	28.3
Net Import Share of Total Primary Supply (percent)	53	70	66	67	64
Net Expenditures For Crude & Product Imports (billion 2002 dollars)	\$90.4	\$200.2	\$191.9	\$194.4	\$185.1

Source: National Energy Modeling System runs aeo2004.d101703e, anwr\_bs.d022304b, anwr\_lo.d022304b, and anwr\_hi.d022304b.

The reduction in oil import volumes also reduces the level of expenditures on crude oil and petroleum product imports. In the *AEO2004* reference case, expenditures in 2025 on foreign oil and petroleum products are projected to be \$200 billion (2002 dollars). The mean oil resource case projects expenditures in 2025 of \$192 billion, with a range of \$185 to \$194 billion for the high and low oil resource cases, respectively. So, the opening of ANWR is projected to improve the U.S. balance of trade by \$6 to \$15 billion in 2025.

## ANWR Production Uncertainties

Significant areas of uncertainty regarding the impact on U.S. oil production and imports of opening ANWR are:

- *The size of the underlying resource base.* Because there has been little petroleum drilling or exploration in ANWR, there is little first-hand knowledge regarding the petroleum geology of this region. The USGS oil resource estimates are based largely on the geologic conditions that exist in the neighboring State lands. Consequently, there is considerable uncertainty regarding both the size and

quality of the oil resources that exist in ANWR. Thus, the potential ultimate oil recovery and potential yearly production are uncertain.

- *The underlying field structure.* The size of reservoirs that are found in ANWR will determine the rate at which ANWR oil and gas resources are developed. If the reservoirs are larger than expected, then production will be greater in earlier years. Similarly, if the reservoirs are smaller than expected, then production will be less in the early years.
- *The costs of developing oil resources in ANWR.* This analysis assumes that the costs of developing ANWR are not significantly different than developing the Prudhoe Bay field. Oil field development costs depend upon the quality of oil found (e.g., light or heavy) and the field's reservoir characteristics, such as permeability, faulting, and water saturation. If the ANWR oil field development costs are higher than those associated with the Prudhoe Bay field, the timing of ANWR production could be delayed.
- *Timing of ANWR production.* This analysis assumes that production in the ANWR coastal plain will begin in 2013. This analysis also assumes the size of the oil fields expected to be discovered in ANWR (based on USGS estimates) and their production rates (based on the industry's experience in the State lands on the North Slope). The actual timing of ANWR production could vary significantly from the timing assumed in this study. In addition, in the high oil resource case, North Slope production is slightly below the throughput capacity of TAPS. Although the TAPS throughput capacity could be expanded through the construction of additional pumping stations and/or the use of surfactants, it might be more economic to restrict ANWR oil production to the level of TAPS throughput capacity.<sup>16</sup>
- *Environmental considerations.* Environmental restrictions could affect access for exploration and development.

## Synergies with the Alaska Gas Pipeline

The Alaska natural gas pipeline faces three types of business risk: gas market price risk, pipeline construction cost risk, and resource availability risk. Gas price risk is associated with the potential that future lower 48 natural gas prices might be too low to recover all pipeline and production costs, along with an adequate rate of return. Gas market price risk is further enhanced by the 9- to-10-year permitting and construction period for a gas pipeline, which increases the possibility that lower 48 gas market conditions and prices could have changed considerably by the time the pipeline goes into operation. For example, more than 35 North American liquefied natural gas (LNG) terminals, with more

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<sup>16</sup> The maximum throughput capacity of TAPS is 2.136 million barrels per day, which is slightly above the 2.12 million barrels per day projected in the high oil resource case in 2023. (Rates exceeding 1,440,000 barrels per day assume drag reduction agent injection.) Source: Alyeska Pipeline Service Co., <http://www.alyeska-pipe.com/PipelineFacts/PipelineOperations.html>.

than 30 billion cubic feet of daily delivery capacity, have been proposed for completion over the next decade. Some analysts have concluded that LNG imports are a less expensive gas supply option for the lower 48 than the transportation of gas from the Alaska North Slope.<sup>17</sup> If this is true and if a significant portion of the proposed North American LNG capacity is built, then gas prices might be lower than the breakeven cost for gas transported by an Alaska gas pipeline.

The last two *Annual Energy Outlooks* have projected a need for both new LNG terminals and an Alaska gas pipeline to satisfy future natural gas consumption requirements. However, no new LNG terminals have been built since the 1970s, and LNG terminal project sponsors are faced with local siting issues, because many landowners do not want such facilities situated near them.

The risk of potential economic loss is also increased by the possibility that an Alaska gas pipeline might experience significant construction cost overruns, as happened with the construction of TAPS. A significant construction cost overrun could result in an Alaska gas pipeline being uneconomic upon its completion, especially if lower 48 gas prices decline substantially.

A gas resource risk exists because gas producers have proven the existence of 35 trillion cubic feet (tcf) out of the 51 tcf of natural gas needed to supply an Alaska gas pipeline.<sup>18</sup> Of the 35 tcf of proved recoverable natural gas assets that have already been found on State lands in the Alaska North Slope, about 26 tcf reside in the Prudhoe Bay Field, about 8 tcf reside in the Point Thomson Field, with the remainder located in various other fields. The difference between the 51 tcf required for a pipeline and the 35 tcf of proved gas resource constitutes a requirement to discover an additional 16 tcf of recoverable gas resources for an Alaska gas pipeline.

Other areas of the Alaska North Slope besides ANWR are expected to hold considerable natural gas resources, which are sufficient to cover this 16-tcf deficit. In particular, the NPRA portion of the North Slope is estimated to contain between 40 to 85 tcf of technically recoverable non-associated gas resources and 7 to 17 tcf of technically recoverable associated-dissolved gas resources.<sup>19</sup> The NPRA is already being leased for oil and gas development, with the eastern portion of NPRA under an active exploration program.

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<sup>17</sup> Deutsche Bank, *Picking the winners from the liquid gas boom*, May 2, 2003, Figure 6, page 8.

<sup>18</sup> Based on a presentation prepared by BP, ConocoPhillips, and ExxonMobil entitled: "Alaska Producer Pipeline Update," May 2002, Slide 16. Includes natural gas volumes required as lease, pipeline, processing, and electricity generation fuel.

<sup>19</sup> United States Geological Survey, *U.S. Geological Survey 2002 Petroleum Resource Assessment of the National Petroleum Reserve in Alaska (NPR)*, USGS Fact Sheet 045-02, Table 1, and personal communication on March 1, 2004, with Emil Attanasi, Ph.D., U.S. Geological Survey, Reston, Virginia. Estimates include NPRA, native lands, and adjacent offshore areas within a 3-mile boundary surrounding NPRA. The USGS mean gas resource estimates for NPRA are 61 tcf for non-associated gas and 12 tcf for associated-dissolved natural gas. The NPRA figures cited in the text represent the 95-percent and 5-percent probability gas resource estimates, respectively. Associated-dissolved natural gas is co-located with crude oil in a reservoir, while non-associated gas is found without any crude oil in a reservoir.

In contrast, the USGS estimates that the technically recoverable non-associated natural gas resources available in the ANWR coastal plain are between 0 and 11 tcf, with a mean estimated value of 3.8 tcf.<sup>20</sup> An additional 2.3 to 5.2 tcf of technically recoverable associated-dissolved natural gas is estimated to exist in the ANWR coastal plain, with a mean estimate of 3.6 tcf.<sup>21</sup> So, under the mean gas resource estimates, total associated and non-associated ANWR coastal plain gas resources are estimated to be 7.4 tcf, which is less than half of the 16 tcf necessary for the gas pipeline. Even the 5-percent probability estimates (a 1-in-20 chance) for associated-dissolved and non-associated gas resources just barely cover the 16-tcf gas resource deficit. Consequently, opening the ANWR coastal plain to petroleum development might reduce the resource risk associated with an Alaska natural gas pipeline, but only marginally, because the expected size of the NPRA gas resource base is so much larger and because NPRA is already under an active leasing and exploration program.<sup>22</sup>

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<sup>20</sup> U.S. Geological Survey, *The Oil and Gas Resource Potential of the Arctic National Wildlife Refuge 1002 Area*, Alaska Open File Report 98-34, Table AO3. Gas resource estimates include Federal lands, Native lands, and the State offshore area within the 3-mile limit.

<sup>21</sup> *Ibid.* Table EA3. These associated-dissolved gas figures are for the Federal lands portion of ANWR only (ie, the 1002 Area) and do not include the Native lands and the 3-mile offshore portions of the ANWR coastal plain. The more inclusive gas resources estimates were not available from USGS at the time of publication.

<sup>22</sup> The phrase "might reduce" is used in this context because this resource risk is only reduced if large volumes of natural gas are, in fact, found in ANWR. However, the finding of such resources can only occur if ANWR is opened to exploration and development. If ANWR is opened to petroleum development and no large gas deposits are found, then the pipeline's resource risk remains unchanged.

**Alaska State Chamber of Commerce  
2005 Priority  
Open ANWR**

The Alaska State Chamber of Commerce supports Alaska's role in providing this nation with a major portion of its domestic oil and encourages the United States Congress to pass a bill opening the coastal plain of the Arctic National Wildlife Refuge to responsible exploration, development, and production of its oil and gas resources.

Oil exploration and development activity can be conducted in a manner that protects the wildlife and the environment.

The Alaska State Chamber of Commerce opposes any efforts to declare the coastal plain of ANWR a wilderness area.

The Alaska State Chamber of Commerce urges the Governor and Legislature to continue to support and actively participate in efforts to open the Coastal Plain of ANWR to environmentally responsible oil and gas development and to appropriate the necessary resources to attain congressional approval of environmentally responsible development within the 1002 area of ANWR.



January 11, 2005

The Honorable Mike Hawker  
Alaska State Legislature  
State Capitol #502  
Juneau, Alaska 99801-1182

**ANWR:**

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**JOBS AND ENERGY  
FOR AMERICA**

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**ARCTIC POWER**

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WASHINGTON, D.C. 20002  
(202) 544-5363

[www.anwr.org](http://www.anwr.org)

Dear Representative Hawker,

This letter is in support of and urging your fellow member's support of HJR 4, 'A resolution urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge, Alaska, to oil and gas exploration, development and production'.

The Arctic National Wildlife Refuge is the nation's best source for domestic energy production, while creating thousands of high-paying jobs and creating substantial revenues for both the federal government and the State of Alaska.

The coastal plain of ANWR represents the largest known on-shore reserve of oil resources in North America. The State of Alaska has a proven track record as a world leader in oil exploration, with over 40 years of environmentally responsible production. This positive record will continue, as "ANWR will require the tightest environmental standards ever imposed," as noted by U.S. Secretary of Interior Gale Norton.

Alaskans know that we can develop our resources responsibly and with concern for our natural environment. In fact, over 75% of Alaskans support the responsible development of ANWR.

In addition, the residents of Kaktovik, the *only* village located within ANWR, support responsible development of their lands so that they too can benefit from their resources in the form of jobs, public infrastructure, and a strengthened rural economy.

The United States is alarmingly dependent upon foreign oil; with over 63% of our petroleum energy needs coming from abroad. This represents over \$174 Billion (\$174,246,000,000) that exits our economy only to enrich other governments. ANWR oil production can directly replace the imports from Saudi Arabia for over 30 years.

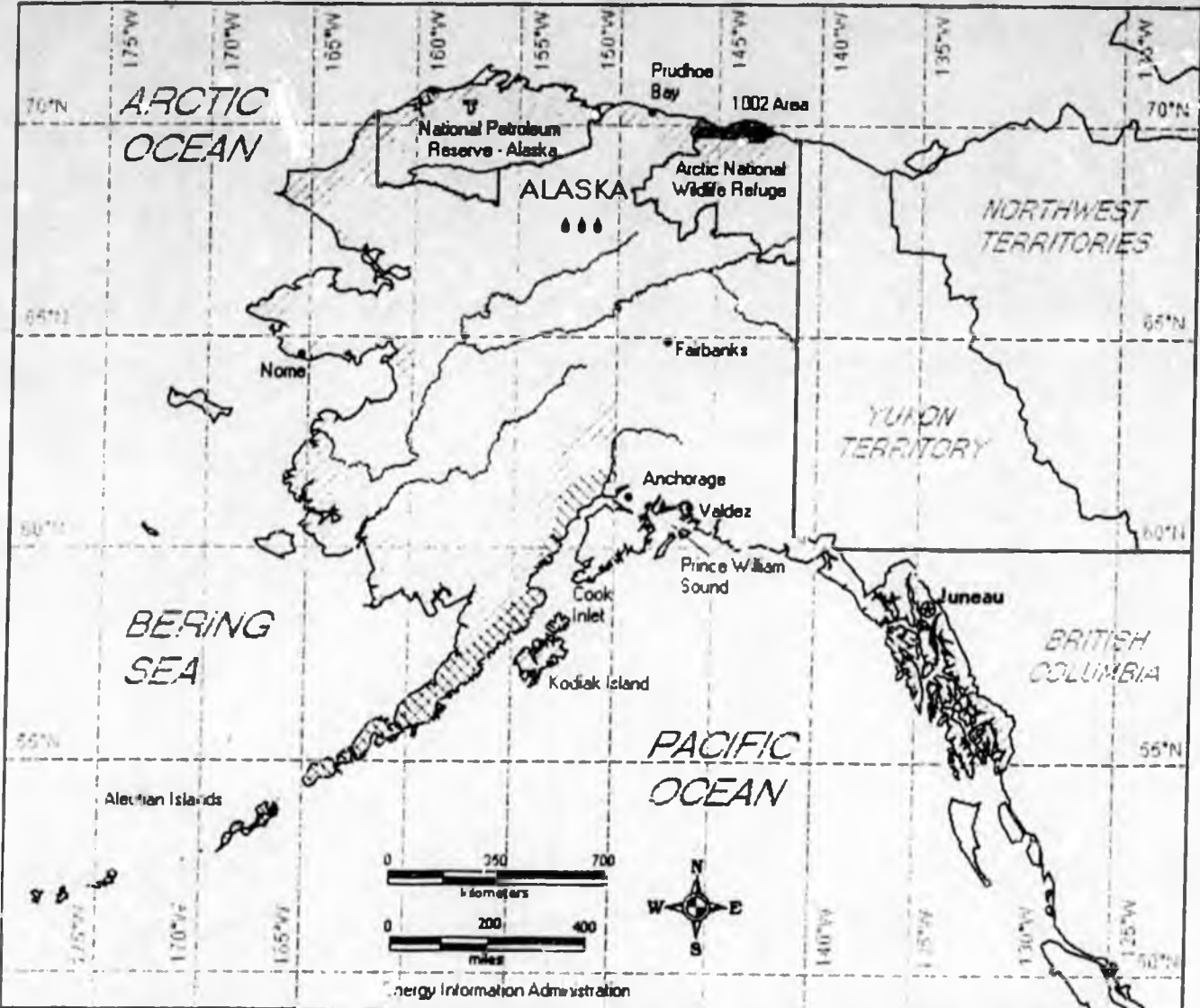
We as Alaskans understand that responsible exploration of a small portion of ANWR can take place while gaining the benefits of thousands of jobs, increased revenue to the state government, production of a safer domestic energy supply, and the ability to further the economic life of the Trans-Alaska Pipeline System (TAPS).

I urge you to support this call to Congress for the opening of ANWR. Join the majority of Alaska residents who support the responsible use our resources for the benefit of Alaska.

Sincerely,

Gail Phillips  
Co-Chair

Al Adams  
Co-Chair



Rivers	Rivers/State Borders	State Capitals	Clean City Programs	State Capitals with Clean City Programs
Average Annual Precipitation (in inches)		Fuelwood Harvested (3+ million cubic ft/yr)	Solar Radiation (kWh/m <sup>2</sup> /day)	Geothermal Potential (80+ mill-Watts/m <sup>2</sup> )
0 - 09	30 - 39		0 - 4	Wind Resources Power Class 4 or greater
10 - 19	40 - 49		4 - 6	
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- ♦ File created: October 9, 2002

HJR

5



# Alaska State Legislature

Rep. Harry Crawford  
Rep. Jim Elkins  
Rep. Carl Gatto  
Rep. Mary Kapsner  
Rep. Gabrielle LeDoux  
Rep. Kurt Olson  
Rep. Paul Seaton



State Capitol, Room 124  
Juneau, AK 99801-1182  
Co-Chairs  
Rep. Ralph Samuels  
(907) 465-2095 fax: 465-3810  
Rep. Jay Ramras  
(907) 465-3004 fax: 465-2070

## House Resources Committee FAX

Please deliver the following pages to: Legis. Legal

Fm: Staff, Resources Committee

Fax #: 2029

Total number of pages including cover:

Date: 3/23/05 2:18 PM

Re: HJR 5 24-LS0232\G

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Please amend the above referenced resolution and return in final as the RES CS.

Page 2, Line 8- 11

Delete the entire "Whereas".

Thanks

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Thank you

# Alaska State Legislature

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Military & Veterans' Affairs Committee

**Member**  
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State Affairs Committee  
Economic Development, Trade & Tourism  
Committee  
Education Committee  
Joint Armed Services Committee

**Finance Subcommittees**  
Labor & Workforce Development  
Community & Economic Development  
Military & Veterans' Affairs



*A Communication From*  
**REPRESENTATIVE BOB LYNN**  
District 31 Anchorage

Representative\_Bob\_Lynn@legis.state.ak.us

**Session:**  
Alaska State Capitol  
Juneau, AK 99801-1182

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## Sponsor Statement HJR 5

This resolution makes a statement that the Alaska State Legislature stands firmly behind our Alaska Congressional Delegation, Alaska's Children and citizens in absolute opposition to the imposition of the "Milk Tax".

The "Milk Tax" or **Mandatory Dairy Promotion Assessment** was established more than twenty years ago to help increase the sale of surplus milk in the Lower 48 States through generic mass advertising such as the "Got Milk" campaign.

Alaska was and still is a milk deficit state. Our dairy farmers don't produce enough milk to meet our own demand. As a result, Alaska was wisely exempted along with Hawaii and Puerto Rico from having to pay the Milk Tax when it was created in 1983.

As Rachel Hecker, one of our dairy farmers from Blue Moon Dairy at Point McKenzie was quoted last summer in *The Milkweed* publication, "It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand." Alaska won't benefit from the milk tax and shouldn't be forced to pay for the promotion of milk from the Lower 48 or elsewhere. This tax would be another death nail for an already troubled Alaska milk industry.

As if higher milk prices in Alaska wasn't bad enough, the milk promotion establishment in Washington apparently wants to burden dairymen in the Lower 48 states by promoting foreign dairy imports along with American milk. But before that can happen, they've got to first impose the Milk Tax on Alaska, Hawaii, and Puerto Rico. No wonder Outside dairy farmers have gone to court to dump the milk tax.

A milk tax for Alaska is bad policy. Please join me in standing up for Alaska's dairy farmers and Alaska consumers of all ages.



## THE ALASKA DAIRY COALITION

Rachel Hecker, Director

cto Blue Moon Dairy  
 P.O. Box 870349 • Wasilla, Alaska 99687  
 Tel: 907-357-9003 • Fax: 907-357-9004  
 E-mail: blumoo\_99yahoo.com

### *Members*

Blue Moon Dairy  
 Tracks of Alaska  
 Gingerbread House Day Care  
 Carousel Day Care

## STOP THE MILK TAX ON ALASKA'S DAIRY CONSUMERS!!

### The Issue

Alaska's consumers face an unfair new "tax" on milk, cheese, yogurt and other dairy products under legislation moving forward in Congress. The new tax is part of a bigger bill that expands the lower 48 states' milk promotion program to dairy farmers in Alaska to make the promotion fee compatible with global trade laws. This unfair new tax would drive up the already high cost of milk and dairy products for Alaska's consumers. It would reduce the consumption of nutritious dairy products, threatening the health of Alaskans of all ages. This new tax will become law unless concerned Alaskans of all ages and walks of life stand up together and **SAY NO TO THE MILK TAX!**

The milk tax is part of proposed changes to the dairy import assessment provisions included in the 2002 Farm Bill. In order for the milk promotion program to comply with the World Trade Organization (WTO) rules, the proponents seek to extend the assessment to Alaskan dairy farmers, who have always been exempted because Alaska is a milk-deficit state. As a result, Alaska's dairy producers would be taxed 15 cents per hundredweight to promote surplus milk produced in the lower 48 states. This milk tax would be passed on to Alaska's consumers, including the elderly, school children, native populations, and low-income families.

### The Impact on Alaskans

- **Already high milk prices would rise.**
  - Although 15 cents appears to be a small amount, greedy milk processors and other middlemen would use any excuse to increase their profit margins at the expense of hard working Alaskans.
  - Owners of businesses (e.g., bakeries, food stores, ice cream shops, restaurants, etc.) would likely have to pass this increase in price along to the consumers.
  - Alaskan consumers would be forced to pay higher costs for milk, cheese, butter, and all other dairy products, and baked goods and other foods containing dairy ingredients. In Alaska, milk is already more expensive to buy than unhealthy options, such as soda\*. This could force parents to choose healthier options over milk.

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\* "Cost of Food at Home for a Week in Alaska, March 2000." University

**SUPPORT**

- **High milk prices could reduce dairy consumption and threaten the health of all Alaskans.**
  - Milk has the highest concentration per serving of highly absorbable calcium, necessary for proper growth and to prevent loss of bone mass, which leads to osteoporosis<sup>b</sup>.
  - Milk is the primary source of vitamin-D. Skin also produces this vitamin when it is exposed to summer sunlight. However, above 40 degrees latitude (north of San Francisco), the winter sunlight is not strong enough to promote vitamin D formation<sup>c</sup>. Milk is essential for Alaskans of all ages and occupations.
  - Calcium in milk prevents bone loss and osteoporosis. Native populations are also susceptible to this risk. It is estimated that among Native American women aged 50 and older, 58.9% have low bone densities and 9.5% suffer from osteoporosis<sup>d</sup>.
  - Studies indicate that a diet rich in low fat dairy foods is effective in reducing blood pressure, which can lead to serious health risks, including kidney failure<sup>e</sup>. Alaska natives are more likely than whites to suffer from high blood pressure and to develop kidney problems, even if their blood pressure is only slightly elevated<sup>f</sup>.
  - The intake of calcium, as well as potassium and magnesium (present in milk) reduces the risk of stroke<sup>g</sup>. Cardiovascular disease, including heart disease and stroke, is the leading cause of death for Alaska Natives<sup>h</sup>.

#### Action Required

The following action at the federal level by Alaska's Congressional delegation is required to prevent the implementation of this milk tax on Alaska's dairy farmers.

- Language (copy attached) could be included in upcoming appropriations Bills in Congress.
- A modified version of this language could be made part of the enabling language of the US-Australia Free Trade Agreement. This would permanently block any further attempts to extend the assessment to Alaska.

#### Alaskans Who Oppose the Milk Tax

- Blue Moon Dairy (Wasilla)
- Tracks of Alaska (Anchorage)
- Gingerbread House Day Care (Anchorage)
- Carousel Day Care (Anchorage)
- Mt. Sanford Tribal Consortium (Capekoua)
- Council Annette Islands Reserve, Metlakatla Indian Community

<sup>b</sup> "Calcium and Milk." Nutrition Source. Harvard School of Public Health.

<sup>c</sup> "Calcium and Milk." Nutrition Source. Harvard School of Public Health.

<sup>d</sup> "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives. National Dairy Council.

<sup>e</sup> Ibid.

<sup>f</sup> "High Blood Pressure and Kidney Disease." National Kidney and Urologic Diseases Information Clearinghouse (NKUDIC), a service of the National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK), NIH.

<sup>g</sup> "Health Benefits of Dairy Foods for Minorities." Dairy Council Digest Archives. National Dairy Council.

<sup>h</sup> "Health Problems in American Indian/Alaska Native Women." The National Women's Health Information Center, a project of the US Department of Health and Human Services, Office on Women's Health.

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**Cc:** "Heller, Pat (Murkowski)" <Pat\_Heller@murkowski.senate.gov>  
**Sent:** Wednesday, July 28, 2004 1:04 PM  
**Subject:** Milk Tax Article in the Fairbanks Daily News-Miner

## Milk Tax could Squeeze Alaska Producers

Fairbanks Daily News-Miner 7-27-04

Sam Bishop

Sen. Lisa Murkowski wants Alaska, Hawaii and Puerto Rico milk producers to keep their exemption from a federal tax that pays for promotions such as the "Got Milk?" campaign. Murkowski said she is worried that the two states and territory soon may be forced to start paying the tax, which is currently 15 cents on every 100 pounds of milk.

She said some interests want Alaska and the other regions to be taxed so the U.S. Department of Agriculture can also start taxing foreign milk importers. Under World Trade Organization rules, the foreign imports can't be taxed unless all domestic sources are treated the same, according to the argument.

Murkowski said she and members of Congress from Hawaii and Puerto Rico will try to block the tax. Milk is already expensive in the state, she said, and it's not even available regularly in some remote communities.

"An assessment like this just hurts us even more," she said.

Only a fraction of Alaska's milk is produced in state. Most is imported from the Lower 48 and repackaged as an Alaska brand. The Lower 48 milk is already taxed. It would seem then Alaska consumers might not notice the tax much, but Murkowski spokesman Chuck Kleeschulte said "a competitive pressure that Alaska producers exert against Outside producers actually helps keep milk prices from rising higher in the state.

Also adding the 15-cent tax to Alaska milk would be devastating for Alaska's dairy farmers, who number less than 10 Murkowski said.

"I think their margins are so thin now that they are panicked at anything that would increase their costs," Murkowski said.

Alaska, Hawaii and Puerto Rico were exempted from the promotion tax in 1983 because their farms produced such a small fraction of local demand, Murkowski noted. That's still the case, she said, so exempting them from the promotional tax shouldn't pose any serious competition to foreign importers who want to enter the Lower 48 market.

Also those importers aren't likely to move milk to the remote states and territories because of shipping costs, she noted. Murkowski outlined the arguments in a letter to U.S. Trade Representative Robert Zoellick and Secretary of Agriculture Ann Veneman.

7/28/2004

# Frontiersman

Monday, August 02, 2004

The online edition of the Frontiersman does not contain the entire content of our print version.

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## Milk debate a hot issue

By DANIEL SPOTH/Frontiersman reporter

**MAT-SU** -- Local dairy producers and activists continue to battle against a potential increase in the cost of milk production, while others insist there's no cause for such concern.

The fee, which amounts to 15 cents per hundredweight -- a unit of measurement equal to a hundred pounds -- of produced milk, has been in place in the lower 48 states since 1983, when the Dairy and Tobacco Adjustment Act instituted a national advertising and promotional campaign using funds garnered from its collection.

Alaska, Hawaii and Puerto Rico were originally exempted from the fee due to the fact that they don't have a surplus of milk, but the possibility of extending the increase to these three areas in the near future has raised a considerable amount of ire. The new fees would charge Alaskan dairy farmers the extra 15 cents per hundredweight, which would then go to fund Alaskan dairy advertising and promotional programs.

Christopher Galen, vice-president of communications for the National Milk Producers Federation, said the price hike wasn't as onerous as many make it out to be.

"The assessment amounts to about a penny a gallon," he said. "The amount of money we're talking about, proportionally, is very small."

The milk tax, as it's commonly called, might more properly be called a milk assessment, Galen said, since its collection isn't administered by the Internal Revenue Service and doesn't follow any of the typical routes taken by conventional tax dollars. The U.S. Department of Agriculture handles the collection of the funds.

Cash from the assessment goes to help fund Dairy Management Inc., a group that administers both local dairy-related events and promotions around the nation. David Pelzer, vice-president of industry relations for DMI, said the corporation runs a variety of programs, but they're all centered around increasing demand for dairy products.

"We think it's a very good thing for dairy producers," Pelzer said of the nationwide campaign funded by the 15-



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cent assessment.

DMI's programs include, among other things, a campaign to put milk on the menu at fast-food restaurants, an initiative to get schoolchildren to drink more milk, and the 3-a-Day-of-Dairy advertising campaign.

Galen said the increased price would be handled by the farmers who produce the milk, not the consumers who buy it, and that he therefore didn't anticipate any appreciable increase in milk prices.

"It's not a price that the farmer can pass along," he said. "Even if it were, this rhetoric about a 20- or 30-cents-per-gallon increase is just poppycock."

Pelzer agreed with this sentiment.

"I don't see any evidence of [the assessment] driving up milk prices. It's a wise investment for dairy farmers who really need to grow their markets," he said.

However, not all Alaskan dairy farmers are sold on the idea. Rachel Hecker, a Point MacKenzie dairy farmer and director of the Alaska Dairy Coalition, adamantly opposes the increase.

"I hear a lot of people saying 'Oh, it's only 15 cents per hundredweight, that's not so much,'" she said. "My response to that is: Welcome to reality." Hecker said she believes administrative and bureaucratic costs surrounding the tax could make it far more damaging than the 15-cent figure might lead some to believe.

Hecker said she views the new assessment as another proverbial straw heaped on the collective backs of Alaskan dairy farmers.

"We're being nicked and dined to death," she said. "We're treated horribly up here."

Galen said the milk Alaska imports from outside has already been assessed the 15-cents-per-hundredweight increase, and that the new legislation would therefore apply only to milk the state produces itself.

The 2002 Farm Security and Rural Investment Act, Galen said, contains a stipulation that dairy products shipped into the United States from other countries be assessed the increase.

The inclusion of Alaska, Hawaii, and Puerto Rico in the plan, Galen said, is a gesture of equality, to ensure that the country doesn't come under fire from those exporters for granting assessment amnesty to some of its territories but not incoming dairy products.

"What they're going to say is: 'You're exempting some of your states, but not us?'" he said.

The bill didn't include a stipulation involving Alaska, Hawaii and Puerto Rico, but it might go back to Congress for amendment to include these areas. If this amendment passes muster, the three territories will be subject to the same assessment already common to the other 48 states. However, since the U.S. Department of Agriculture hasn't started collecting an assessment on imported dairy products yet, the timeline for this amendment is not yet static.

"The real issue here isn't Alaska or Hawaii, but imports," Galen said. "The issue with Alaska and Hawaii is really peripheral."

Galen said most agricultural commodities already have assessments applied to them. Beef, for example, takes a \$1-per-head assessment to handle the "Beef -- It's What's For Dinner" ads and other promotional programs. In most of those cases, he said, imports are also assessed the fee.

Galen also said that many states in the lower 48 don't have a dairy surplus, but they're required to handle the assessment anyway.

Alaska might be a special case, however.

Hecker said that all things considered, she felt that she and other Alaska dairy farmers weren't getting a fair shake from governing entities outside the state.

"Alaska doesn't need to be the United States' redheaded stepchild," she said. "I'm not paying for someone else's Ferrari."

Hecker's organization, the ADC, has adopted as its mission the immediate halting of the dairy price increase.

ADC Director of Government Relations Jiona Richey said the coalition was prepared to pursue the assessment's defeat to its conclusion.

"Our outstanding AK State Representatives and Senators helped take our fight to the highest levels. The ADC [and others] is watching closely to make sure that the milk tax is on its deathbed and isn't given life support by the Outside. No one is going to tax our children's milk and get away with it," Richey said in a press release.

The Blue Moon Dairy, Hecker's farm business, recently hosted a press meeting to protest the assessment, inviting a large group of children and state Rep. Bob Lynn, R-Anchorage. In addition, more than 1,000 signatures were gathered by the ADC in its anti-milk-tax petition drive and delivered to the Alaska congressional delegation.

However, farmers and concerned citizens aren't the only ones who have come out against the assessment.

U.S. Sen. Lisa Murkowski, among other Alaska legislators, has voiced strong opposition to the proposed increase.

"Imposition of the milk tax on Alaskan, Hawaiian, and Puerto Rico milk producers would harm their ability to produce milk at competitive prices and would result in price hikes for consumers of milk products including children, low-income families, Alaska Natives, bakeries, and other small businesses," said Murkowski in a June 22 letter to U.S. Trade Representative Robert Zoellick and U.S. Secretary of Agriculture Ann Veneman. "It could also potentially end dairy production in Alaska, Hawaii and Puerto Rico."

Murkowski's letter was signed by U.S. Sen. Ted Stevens, U.S. Rep. Don Young and representatives from Hawaii and Puerto Rico. Some other Alaska politicians who have spoken out against the increase include Reps. Ethan Berkowitz, D-Anchorage; Carl Gatto, R-Palmer; Bill Stoltze, R-Chuglak/Butte, and Vic Kohring, R-Wasilla, as well as state Sen. Lyda Green, R-Mat-Su.

Hecker said Sens. Murkowski and Stevens deserved special praise for their efforts against the tax.

"It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand. Lisa and Ted made sure that this terrible tax idea is on its death bed," she said in a press release.

Galen said that despite accusations that the increase would be used to fuel Outside enterprises, the money garnered from the assessment would probably be used to promote dairy in Alaska.

"It would certainly make sense for us to send that money we'll get from Alaska back locally," he said.

Alaska produced roughly 17.6 million pounds of milk in 2002, making it one of the smallest dairy states in the union. California produced approximately 2.9 billion pounds in 2002, while Wisconsin produced approximately 1.8 billion, New Mexico produced approximately 534 million, and Florida, another state that has to import milk, produced 163 million.

The value of Alaska milk per hundredweight in 2002 was \$20.40.

Contact Daniel Spoth at [daniel.spoth@frontiersman.com](mailto:daniel.spoth@frontiersman.com).

#### History of help

WASILLA -- What started as a small Wasilla satellite office of the Anchorage Community Mental Health Center in 1977 has grown into a 35-acre wellness campus that serves



# CHEESE REPORTER

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## GUEST EDITORIAL



TIM PEDROZO

Dairy Producer, Farmstead Cheesemaker  
Orland, California

### National Milk's Trojan Cows

As a successful dairyman and farmstead cheese maker, I seriously question National Milk Producers Federation's two latest efforts on behalf of producers. Although National Milk's CWT (Cooperatives Working Together) program sounds great in theory, I'm not sure they're going about it right with co-op bloc voting and other questionable provisions.

What troubles me even more, however, is National Milk's renewed effort to force USDA to implement the dairy import assessment provision despite the many unanswered questions that remain.

My biggest concern with the import assessment and CWT is that both programs, however well-intended, would lead to more dairy imports. The import assessment in particular would allow exporters like New Zealand to gain an even larger foothold in the US dairy market than they now have. How could this possibly benefit folks who milk cows for a living?

During last year's farm bill debate, I was among many concerned producers who warned Congress that the import assessment had many serious flaws while it did absolutely nothing to increase our dairy farm income. We warned that the assessment would lead to the promotion of dairy imports like milk protein concentrate and would invite harmful foreign retaliation by violating our international trade obligations.

Fortunately, a few lawmakers listened and insisted on certain safeguards in the farm bill, including the requirement that USDA consult with the US Trade Representative on the assessment's WTO legality before moving forward.

In a recent letter to Agriculture Secretary Ann Veneman, National Milk implied that the import assessment would improve farm gate milk prices, which is an outright lie. The import assessment would not put a nickel in farmers' pockets, and they know it.

The import assessment requires, as many producers warned, that dairy products be promoted without regard

to their country of origin. Just as qualified state/regional programs promote Real California Cheese and Real Wisconsin Cheese, importers would be able to use a nickel of their 15-cent assessment to promote imported cheese, butter, milk powder and MPC.

Because of poorly negotiated trade agreements, we would see more dairy imports due to this additional promotion of imports.

CWT raises a similar concern: that unrestricted imports would rush in to fill the supply void created as participating producers slaughter dairy herds and reduce their milk marketings. In both cases, a more thoughtful approach is needed.

The National Dairy Board (NDB) and its management arm, Dairy Management Inc. (DMI), are using the import assessment to take our eyes off the ball—the fact that they could be doing a lot more to develop our domestic market. By not marketing more effectively, the NDB/DMI people are undermining hundreds of millions of dairy farmer dollars invested in promotion in the past 20 years.

As a farmstead cheese maker, I have to work hard to find new markets for my products or I'm out of business. I am surprised and disappointed that the NDB/DMI folks aren't working just as hard as I do by effectively using the Real Seal and other proven marketing tools to sell more of our products in the vast US dairy market.

Instead, the US dairy promotion establishment has undermined the Real Seal by no longer requiring that it be used exclusively on cheese, butter, milk and other dairy products produced and processed in the USA. Importers would be able to confuse American consumers by using the Real Seal and the new Three-A-Day program to promote imported dairy products in the supermarket.

In the future, consumers would no longer have the assurance they're getting American dairy products when they reach for the Real Seal. These changes amount to one step forward and three steps back.

As a farmstead cheese maker, I have to work hard to find new markets for my products or I'm out of business. I am surprised and disappointed that the NDB/DMI folks aren't working just as hard as I do by effectively using the Real Seal and other proven marketing tools to sell more of our products in the vast US dairy market.

In addition, importers could gain even more seats on the National Dairy Board than the two seats already reserved for them, as imports increase their share of the US dairy market once imports are actively promoted.

Informed sources tell me that the real motive behind the renewed push for the assessment has nothing to do with the welfare of dairy farmers. Rather, NDB and DMI reportedly are in a serious financial bind because they included the import assessment in their current budget and have not yet collected a dime from importers. Apparently, they need the import assessment to pay the high salaries of DMI employees rather than for the equity reasons cited by assessment proponents during the farm bill debate.

Finally, consider the fact that National Milk's two largest member co-ops, Dairy Farmers of America and Land O'Lakes, are actively involved in the dairy import business and stand to see their bottom lines fattened by increased imports.

Some fellow producers have pointed out that the import assessment and CWT are both motivated by greed on the part of some overpaid co-op managers and National Milk executives rather than by any real concern for the welfare of the dairy farmers who own these institutions.

### PERSPECTIVES

"Importers are taking advantage of the largest, most lucrative dairy market in the world, and all we are asking is that they pay the same checkoff promotion assessment that farmers pay in Minnesota and California and everywhere else."

—Jerry Kozak, president and CEO, National Milk Producers Federation, in testimony before a House subcommittee last month.

Cheese Reporter welcomes letters to the editor. Comments should be sent to: Dick Groves by Fax at (608) 246-8431; or e-mail your comments to [dgroves@cheesereporter.com](mailto:dgroves@cheesereporter.com). You can also voice your opinion about the Editorial at [www.cheesereporter.com/editorial.htm](http://www.cheesereporter.com/editorial.htm)

## Alaska Fends Off Promotion Checkoff

by Pete Hardin

Jerry Kozak's grand scheme to hit dairy imports with a promotion assessment is getting baked in Alaska. Assessing a promotion fee against dairy imports required two moves to comply with global "Free Trade" rules:

- 1) Eliminate the legal requirement that the National Dairy Promotion and Research Board promote only U.S.-produced milk and milk products, and
- 2) Extend the mandatory dairy promotion fee to the teeny, tiny dairy industries of Alaska, Hawaii, and Puerto Rico. (The 1983 federal law that created the National Dairy Board mandatory check-off exempted those three, because they are dramatically deficit milk-producing areas.)

The first phase went smoothly. Kozak is CEO of National Milk Producers Federation (NMPF). Kozak and NMPF worked hard to eliminate the words "... produced in the United States ..." from the 2002 farm law. No matter to the nation's dairy co-op leaders that dairy's "Real Seal" would adorn "foreign" dairy products. NMPF's brain-dead member co-ops control the low-I.Q. national dairy promotion apparatus, so little dissent about deep-sixing "domestic content" portion emerged.

USDA has informed interested parties that any effort to assess dairy imports mandate that dairy farmers in all 50 states pay the dairy promotion fees, before the U.S. will defend assessing imports before the World Trade Organization.

But moves to include Alaska, Hawaii and Puerto Rico have been blocked, and are seen by Washington, D.C. insiders as politically dead. A small coalition of consumers, dairy farmers and dairy processors in Alaska have killed NMPF's scheme to assess

the 15-cent milk promotion fee against these small dairy states. The coalition used politics to trump politics.

Senator Ted Stevens (R-Alaska), chairman of the powerful Senate Appropriations Committee, has strenuously objected to making Alaska's few dairy farmers pay a federal milk promotion fee. Fellow Alaska lawmakers Senator Lisa Murkowski and Congressman Don Young have joined Stevens opposing the scheme. Murkowski was the lead author of a biting, July 22, 2004 letter to USDA Secretary Ann Veneman from several lawmakers, noting "... we will strongly oppose any plan or scenario—irrespective of its construction that would lead to the implementation of the milk tax [on Alaska's dairy farmers]."

Rachel Hecker, an Alaskan dairy farmer, helped form the Alaska Dairy Coalition (ADC). Hecker, whose Blue Moon Dairy is located at Point Mackenzie, enlisted help from day care centers and a local dairy processor. Their main argument: Alaska is by far a deficit milk-producing state and its farmers would not be served by paying a federal fee. "It makes absolutely no sense to burden Alaska with a new tax to promote outside milk when our struggling dairy farmers can't produce enough milk to keep up with our state's demand."

Alaskans, it seems, view with severe skepticism mandates from the "Lower 48." In an election year, politics won't force the "milk tax" on Alaskan dairy farmers ... not so long as key figures like Senator Ted Stevens have a say in the matter.

Failing to achieve a promotion assessment against dairy imports is a big blow to NMPF, which willingly killed the "produced in the U.S." requirement of the 15-cent producer assessment. One more time, it appears, NMPF is working against dairy farmers' legitimate interests.

Last update: August 1, 2004 at 3:23 PM

## USDA blocks law that would assess promotion fees on dairy imports

The Associated Press  
Published August 2, 2004

WASHINGTON - The Bush administration has blocked a law that would have required dairy importers to pay fees to support dairy promotions such as "Got Milk?," concluding that the legislation could subject the United States to international trade challenges.

Because the U.S. dairy promotion program assesses fees only on dairy farmers in the 48 contiguous United States, charging those same fees to all imports could create the appearance of favorable treatment for the domestic industry, the Department of Agriculture says.

The department acted on guidance provided by the U.S. Trade Representative's office, and both agencies propose that Congress rewrite the law so farmers in all 50 states (as well as the territories) pay the assessment. Rep. Tammy Baldwin, D-Wis., plans to introduce legislation to do that this year.

But lawmakers from Alaska, Hawaii and Puerto Rico warn that imposing assessments on their dairy farmers could wipe out local dairy production.

"We will strongly oppose any plan or scenario - irrespective of its construction - that would lead to the implementation of the milk tax," the four senators and four House members wrote in a July 22 letter to U.S. Trade Representative Robert Zoellick.

The group includes a particularly powerful player, Sen. Ted Stevens, R-Alaska. As chairman of the Senate Appropriations Committee, Stevens could insert language into an appropriations bill blocking an expansion of the assessment. Stevens did not return phone messages left last week.

Bill Dropik, a dairy farmer in Nelson, Minn., about 130 miles north of the Twin Cities, argued that his fees are helping to subsidize his competitors' products in the dairy case.

"I really feel that's inequitable," said Dropik, who estimates he pays \$1,500 a year in promotion fees. "The imports do depress our prices."

Wisconsin dairy farmer Stuart Huber agreed.

"This allows a free ride from dairy imports, while I have to pay 15 cents per hundredweight, and they're taking away my market," said Huber, whose farm is in Clintonville, Wis., about 40 miles west of Green Bay.

U.S. dairy farmers pay 15 cents per 100 pounds of milk sold for the promotions, which include celebrities wearing milk mustaches and commercials touting "Ahh, the power of cheese." Since it takes 10 pounds of milk to make a pound of cheese, imported cheeses would be assessed about 1.5 cents a pound for the U.S. promotions.

Assessing fees on imports would bring in about \$8 million a year, or about 3 percent of the \$250 million the program yields now.

When the dairy assessment program was created in 1983, Alaska and Hawaii were excluded because of their low milk production. Both states are considered "deficit areas," meaning they don't produce enough milk to meet local demand.

Climate is a major reason for the low production, said Ed Jesse, a dairy economist at the University of Wisconsin-

Madison. Cows tend to produce less milk in hot regions like Hawaii and Puerto Rico, and the cost to care for them in very cold regions like Alaska is high, he said.

Baldwin, who sponsored the dairy import assessment law, said she was frustrated that it hasn't been implemented.

"I still think that promotion that benefits all dairy industry players is being funded by farmers that I represent, and that is unfair," she said.

Cheese importers argue that their specialty products don't benefit much from generic dairy advertisements.

"As importers, we were against it because all of the money would be spent on promoting domestic products and not spent on imports," said Dan Lynch, a vice president and partner of Jana Foods, a cheese importing company in Palisades Park, N.J., and a member of the Cheese Importers Association.

Cheese importers, as well as several U.S. food manufacturers, lobbied the USDA to not implement the law. In addition, the European Union was on record warning that the law might violate World Trade Organization rules.

"You wonder who they work for sometimes," fumed Rep. Collin Peterson, D-Minn., referring to the federal agencies. "They're afraid there will be a case brought against us or something." Officials at the USDA and the USTR both declined to comment.

When the WTO rules against the United States in international trade challenges, American exporters can be hit hard. This spring, for example, the EU slapped punitive tariffs on some American goods after a tax break for U.S. exporters was ruled an illegal export subsidy by the WTO.

A trade group for the dairy farmers supports expanding the assessment to cover producers in Alaska and Hawaii.

"This is something that's definitely in the best interests of the greater good of the industry," said Chris Galen, a vice president of the National Milk Producers Federation, based in Arlington, Va. Galen said his group is considering ways to ensure that money collected in Alaska, Hawaii and Puerto Rico is spent on advertising milk in those areas.

But Joseph VanTreck, president and CEO of Matanuska Maid, a dairy processor in Anchorage, Alaska, said that dairy farmers in those regions aren't likely to be won over by promises of extra advertising.

"Both Alaska and Hawaii are deficit states, where production is far exceeded by demand," he said. "The farmers will have a problem paying into this program."

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# DPW *washington*

With the political convulsions on their calendars, the House and Senate left town July 22, for their summer holiday and won't be back until after Labor Day. They left the agriculture appropriations bill, approved by the House, hanging fire in the Senate. Look for several of the unpassed budget bills to be lumped together in one big omnibus spending bill on Congress' return.

Before it left Washington, both houses of Congress passed a free trade agreement with Morocco, a pact that will increase the sale of U.S. farm products to Morocco by two-thirds, to \$382 million, according to supporters. Besides reducing tariffs on agricultural products, the agreement also binds Morocco to accepting U.S. standards for meat and poultry, and includes a provision that gives the United States market access as good as any future agreements Morocco forms with other countries.

**Cooperatives Working Together**  
(CWT) officials announced July 29, that two bids have been accepted from Dairy Farmers of America, Kansas City, Mo., to export approximately 440,000 lbs. of cheddar cheese to the Netherlands, and another 3.3 million lbs. to be sold in Europe, Saudi Arabia and Egypt. These bids more than double CWT's total cheese exports so far in 2004, to about 7 million lbs.

The World Trade Organization's (WTO) General Council met last week,

still trying to hammer out a draft framework – called the Doha Development Agenda – for the Doha round of trade talks. By Thursday night, the five largest agricultural producers in WTO – the United States, European Union, Australia, India and Brazil – had agreed in principle on several points of farm trade reform. If accepted by other WTO members, the agreement could pave the way to get all members back into negotiations.

Meanwhile, the European Union's trade commissioner warned that if those talks fail, it could hurt the global economy. The EU has offered to drop all export subsidies but insists that the United States must do as much. An initial draft, calling for eliminating all subsidies for agricultural exports, drew criticism from developing countries, who say richer countries must be required to do more to open up trade. Many developed countries don't like it either because it doesn't ask the United States to address other farm support programs. WTO was to sign off on the framework on Friday, opening the way for final talks later in the year, probably after the U.S. elections.

Low levels of perchlorate, a rocket fuel component, found in California milk earlier this summer has unleashed a barrage of tests and studies. The Food and Drug Administration (FDA) is just starting to release test results. FDA tests for perchlo-

rate in some foods, including milk, trying to find out the extent that perchlorate is in the food supply. Organic dairy cooperative Organic Valley is also testing milk from some of its suppliers for perchlorate. And, the National Academy of Sciences is looking at how the Environmental Protection Agency is setting recommended levels for perchlorate in drinking water, which may be finished by the end of 2004.

**National Milk Producers Federation (NMPPF)** is pressuring USDA to implement the national dairy checkoff on imported dairy products, as mandated in the 2002 farm bill, according to NMPPF's Chris Galen. USDA is questioning whether the assessment is compliant with WTO, due to a technicality, Galen contends. There are about 10 dairy operations in Alaska and 10 in Hawaii, plus several in Puerto Rico, he explained, that are exempt from the assessment and never have paid it in the 20 years it has been in existence. USDA claims that, unless the checkoff is applied to those operations, they cannot assess importers, something Galen called "a lame excuse."

About 62% of U.S.-produced farm goods come from 3% of its farms, according to a recent USDA study. Those 70,600 farms and ranches, which have annual sales exceeding \$500,000, produced 56.6% in 1997.

USDA's National Agricultural Statistics Service released county profiles from the 2002 Census of Agriculture. Log onto [www.nass.usda.gov/census](http://www.nass.usda.gov/census).


DPW August 2, 2004

## DairyBusiness

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## Court: 'Got Milk?' campaign illegally milks farmers

**PHILADELPHIA, Pennsylvania (AP) —**The catchy "Got Milk?" dairy promotion — famous for plastering milk mustaches on celebrity faces — violates the free speech rights of farmers forced to pay for the ads, a federal appeals court ruled Tuesday.

The unanimous 3rd U.S. Circuit Court of Appeals decision overturns a lower court ruling that dairy farmers Joseph and Brenda Cochran had to contribute to the National Dairy Promotion Board campaign even though the couple felt the ads did little to support sustainable agriculture products, such as milk from cows that are not injected with hormones.

"The court made clear that just because an industry is regulated, and even if it's heavily regulated, that doesn't mean the members of that industry lose their First Amendment rights," said the Cochrans' attorney, Steve Simpson, of the Washington, D.C.-based group Institute for Justice.

"Got Milk?" is the latest of clever industry promotions whose funding has been found in violation of the First Amendment.

A federal appeals court ruled in July that ranchers could not be forced to pay a \$1-per-head fee on cattle to support the marketing campaign that spawned the slogan "Beef: It's what's for dinner." And an appeals court struck down a similar fee in October that had supported the ads calling pork "the other white meat."

In the latest ruling, the 3rd Circuit said the government's interest in promoting the dairy industry wasn't substantial enough to justify an infringement on the Cochrans' free speech rights by requiring them to help pay for the ads.

Lawyers defending the law on behalf of the U.S. Department of Agriculture have said because dairy prices and distribution are tightly regulated, a joint marketing campaign is the only effective way to compete with other beverages.

Attorney Matthew M. Collette, who represented the Justice Department in the case, did not return a telephone message left Tuesday seeking comment.

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### Find this article at:

<http://www.cnn.com/2004/LAW/02/24/got.milk.suit.ap>

Check the box to include the list of links referenced in the article.



## The Dairy Trade Coalition

Saving the Spotted Cow for Generations to Come



### Debunking the Myths of Import Assessments

**Myth:**

*There is nothing wrong with assessing importers. They have been getting a free ride for years from the promotion program. It is about time they paid into the promotion program.*

**Fact:**

While the idea of import assessments may be appealing, importers are not receiving a free ride. The point of the promotion program, according to the Dairy Production Stabilization Act of 1983 and the accompanying report (H. Rep. No. 98-237), is to expand markets for domestic products. However, most imported dairy products are under quota (that is, the amounts that can be imported into the U.S. are limited by trade agreements), which effectively prevents importers from receiving benefits from the promotion.

For example, if an importer has a quota for 100,000 pounds of a particular cheese and is filling that quota, all he can sell is 100,000 pounds regardless of how successful the promotion. This explains why the share of the U.S. market held by importers has declined from 6.5% to 5% since 1984 (the first year of the promotion program). As the size of the U.S. dairy market has increased, imports have not been able to share in its growth because of the quota system.

**Myth:**

*Importers will not be able to promote imports with the assessment funds. The National Dairy Promotion and Research Board (Board) will simply take the importers' money and add it to the general budget. Since importers will only have two seats on the Board, they will not have the representation necessary to influence the Board's activities.*

**Fact:**

While importers' representation on the Board is minimal and importer interests may be ignored, there would be some serious consequences if that were to happen. Primarily, refusal by the Board to permit the promotion of imports and the creation of qualified import promotion boards (similar to the state and regional promotion boards) may be inconsistent with U.S. obligations under the WTO.

Under WTO rules, the U.S. is obligated to give equal treatment to both domestically-produced goods and imported goods. This is known as the national treatment principle and is enshrined in Article III of the General Agreement on Trade and Tariffs (GATT). If the U.S. or any other country adds imports to an existing program, the U.S. is obligated to give equal treatment (such as promotion) to both domestic and imported products. For example, the Board would have to promote MPC, casein, and imported cheese without discrimination. Therefore, if requests by importers to promote imports and to create import promotion boards are denied, importers are likely to claim that their products are not being given equal treatment as domestically-produced products. They would also assert that the Board is collecting the importers' money without promoting their products and without providing any benefits. Once one or more countries bring a successful WTO action, they are entitled to compensation which can come in the form of granting additional market access to foreign countries, lower tariff-rate quota rates (which would result in more foreign dairy products entering the U.S.), and punitive tariffs on U.S. exports.

Importers will also be able to sue in U.S. Federal court to seek invalidation of the importer assessment on free speech grounds; that is, that they are being forced to contribute to a generic advertising program from which they do not benefit. Once an importer or a group of importers filed a lawsuit, disgruntled domestic producers who do not like the check-off program may file suit by joining the importers thus leading to the invalidation of the entire promotion program.

**Myth:**

*Import assessments will have no effect on foreign demands for increased access to the U.S. dairy market through either increased quotas or reduced over-quota tariff rates.*

**Fact:**

Import assessments will place a major weapon into the hands of our trading partners (foreign countries) to demand increased access to the U.S. dairy market for their dairy products.

As stated above, the purpose of the promotion program is to expand the U.S. market. Importers are restricted from expanding their markets by numerical quotas or high tariff rate quota rates. Therefore, the only way for importers to benefit is for foreign countries (our trading partners) to gain more access to the U.S. dairy market either through increased quotas or lower tariff-rate quota rates.

In other words, the assessment presents a great opportunity for our trading partners to demand that our markets be opened for additional access for their foreign dairy products without limitations. If one had a conspiratorial mind, one might think that one or more foreign countries, knowing that the assessment will never be paid because it will be invalidated by a U.S. Federal Court based on a recent U.S. Supreme Court ruling, are secretly in favor of the scheme so that they can go to Qatar in November with a forceful justification for more access to the U.S.

**Myth:**

*Domestic dairy producers are frustrated and concerned about MPCs entering the U.S. and displacing their milk and reducing their incomes. The import assessment will stem the flow of MPC imports.*

**Fact:**

While MPC imports are problematic for U.S. dairy producers, the answer to the problem does not lie in assessing imports. Prior to the Uruguay Round, Section 22 of the Agricultural Adjustment Act of 1933 authorized the imposition of quotas on all dairy imports. However, in the Uruguay Round, the U.S. granted more dairy access to foreign countries than any importer ever dreamed possible. In addition, Section 22 was traded away, denying the U.S. the ability to impose quotas on MPCs. Furthermore, the assessment will not stop the importation of MPCs.

It is interesting to note that the very people who were advising U.S. trade negotiators at the Uruguay Round are the same people promoting the import assessment. Dick Groves, in an editorial in *The Cheese Reporter* on August 17, 2001, assessed the impact of the Uruguay Round and stated, "From 1974 through 1995, U.S. butter imports (including the butter equivalent of butter oil) never exceeded 5 million pounds. But since 1998, they've never been below 28 million pounds." Groves ends the editorial with a dire warning: "And for both producers and processors, it may mean there's going to be less growth in the future, as imports grab a bigger share of the business, a share the domestic industry may never win back." Finally, it is important to note that the increased imports came about because of the increased market access granted as part of the Uruguay Round giveaway, and not because of the promotion activities.

The MPC issue is particularly problematic since there is no available record of what types of MPCs are entering the country and what they are being used for. Therefore, it would be advisable to further evaluate MPCs through public hearings and reports prepared by the U.S. Congress, the Department of Agriculture, the International Trade Commission and other appropriate government agencies. This would be consistent with comments made by Representative David Obey (D-WI) on March 16, 2001 on Wisconsin Public Television, in which he stated:

AI don=t think we know anything about these products [MPCs]. They couldn=t even tell us, for instance, what the exact volume of ultra-filtered milk products was or where they were coming in, because they don=t have B they don=t keep a paper trail. So there is very little that we know about these products in terms of their impact on the economy.@

Once we know what MPCs are coming in, we can give detailed and accurate instructions to U.S. negotiators to protect U.S. dairy farmers from MPC imports at the Qatar Round. We can also use the information gained from the hearings to craft a trade policy that will curb the huge surges of MPC imports (since import assessments will not) and is WTO-legal and more consistent with the needs of U.S. dairy farmers.

Additionally, we would be putting our negotiators in Geneva in a difficult position. Their counterparts could look at them and say, AThe U.S. is assessing dairy imports. That=s fine as it may make your market share bigger; however, the level of imports must be able to grow if importers are to benefit from the assessment. Therefore, you must remove all quotas and all impediments to dairy product imports so that we can have unlimited access to your market without barriers,@ Our negotiators may be backed into a corner and may be outvoted at all negotiating sessions, thus accomplishing nothing for U.S. dairy producers. Removal of import quotas will put all dairy products in a similar position as MPC. As a result, the current problem with MPCs would expand to a variety of other dairy products (i.e., cheddar cheese, butter, butter oil). This would lead to a flood of dairy product imports which will sharply reduce U.S. dairy prices and also reduce domestic dairy producer income.

**Myth:**

*Assessing Importers will not jeopardize the benefits provided by the dairy promotion program.*

**Fact:**

Assessing importers will place in jeopardy the continuation of the entire dairy promotion program. In a recent Supreme Court case (*United States v. United Foods, Inc.*, 533 U.S. \_\_\_\_ (2001)), a mushroom grower refused to pay money to the mushroom promotion board. United Foods contended that their free speech rights were being violated since they were forced to pay money to fund a message they did not want to send. United Foods wanted to tell people that their mushrooms were better than anyone else=s mushrooms and they were being forced to fund generic advertising implying that all mushrooms are the same. The Court agreed with United Foods and declared the mushroom promotion program invalid.

Dairy importers will make the same claims, and their case will be even stronger since they will be forced to fund a message that is not only contrary to their desired message, but will also not provide any benefits. Some imported cheese is considered a specialty and of a higher-quality. Therefore, similarly to United Foods, importers try to differentiate imported cheese from domestic cheese and object to generic advertising which implies that they are equal. In addition to the previously discussed quota-based limitations, over half of the money, they will point out, goes towards fluid milk promotion and there are virtually no fluid milk imports. A legal analysis conducted by Robins, Kaplan, Miller, and Ciresi, LLP indicates that an assessment on imports would be unconstitutional.

The analysis goes on to state that an importer lawsuit could spur domestic producers who resent the assessment to join the lawsuit and challenge the entire dairy promotion program. For example, an organic producer who, like the mushroom producer in *United Foods*, wants to send a different message than the generic advertising provided by the promotion board could challenge the constitutionality of the assessment on domestic producers.

Prepared August 28, 2001

Tracks of Alaska  
Natural Images of the Great Land  
Phillip and Jona Richey  
7700 Chalmers Loop  
Anchorage, Alaska 99504  
(907) 333-3138 e-Mail: [traxak@alaska.com](mailto:traxak@alaska.com)  
Website: <http://www.tracksofalaska.com>

Anchorage, May 14, 2004

The Honorable  
Frank H. Murkowski  
Attn: Linda Parry-Shafar, Director  
Anchorage Office of the Governor,  
.550 W. 7<sup>th</sup> Ave, Suite 1700  
Anchorage, AK 99501

Dear Mr. Governor Murkowski

We at Tracks of Alaska, Gingerbread House Day Care and Carousel Day Care in Anchorage want to object to the implementation of the dairy import assessment.

We believe this assessment to be an onerous MILK TAX passed as part of the Farm Security and Rural Investment Act of 2002 (farm bill). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the Lower 48 states. Implementation of this tax would require Alaska's Dairy Farmers to pay into a national dairy promotion program that presently benefits the lower 48 states, but does absolutely nothing to help Alaska's dairy producers and consumers. Alaskan dairy farmers would have to pay a milk tax of fifteen cents per hundred weight and that cost would be passed on to Alaska's consumers, (and directly hurt the elderly and people on fixed incomes, school children, low income families, etc.) by greedy milk processors and other middlemen, far in excess of the 15 cents milk tax assessed on our Alaskan dairy producers. Prices of dairy products across the board, milk, butter, cheese, etc. would rise as well.

Tracks of Alaska is concerned that a rise in the cost of milk and dairy products, which are already very high in our state, would have a negative impact on the efforts to improve nutritional and general health of Alaskans and especially those of our citizens living in remote areas off the road system in our state.

I therefore urge you to keep the milk tax from becoming law once and for all  
Thank you for listening!

Sincerely

Jona M. Richey

# Tanana Chiefs Conference

Chief Peter John Tribal Building  
122 First Avenue, Suite 600  
Fairbanks, Alaska 99701-4897  
(907) 459-8251 Fax: (907) 459-8850



May 19, 2004

### SUBREGIONS

**KUSKOKWIM**  
McGrath  
Medina  
Nikola  
Talnoko  
Tellico

The Honorable Frank H. Murkowski  
Attn: Linda Perry-Shafer, Director  
Anchorage Office of the Governor  
550 W. 7<sup>th</sup> Avenue - Suite 1700  
Anchorage, AK 99501

RECEIVED

JUN - 9 2004

8521  
HB MM

### LOWER YUKON

Anvik  
Grayling  
Holy Cross  
Shageluk

Dear Governor Murkowski,

OFFICE OF THE GOVERNOR

### UPPER TANANA

Dot Lake  
Eagle  
Healy Lake  
Northway  
Tanacross  
Tetlin  
Tik

The Tanana Chiefs Conference (TCC) wishes to voice its opposition to the implementation of the dairy import assessment (assessment).

We believe that the assessment is an onerous "milk tax" passed as part of the Farm Security and Rural Investment Act of 2002 ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the lower 48 states.

### YUKON FLATS

Arctic Village  
Beaver  
Birch Creek  
Canyon Village  
Chaitiyak  
Circle  
Fort Yukon  
Venetie

If implemented, the assessment/milk tax would require Alaskan dairy farmers to pay into the national dairy promotion program that presently benefits the lower 48 states, but does nothing to help Alaska's dairy farmers or consumers. Alaskan dairy farmers would be forced to pay a milk tax of 15 cents per hundredweight, a cost that would likely be passed on to Alaska's consumers (the elderly, school children, low income families, etc.) by greedy milk processors and other middlemen, far in excess of the 15 cents milk tax to be forced upon Alaska's dairy farmers. The price on all dairy products, including cheese and butter, would rise as well.

### YUKON

KOYUKUK  
Golena  
Huslia  
Kaitiq  
Koyukuk  
Nulato  
Tracy

TCC is concerned that the rise in the cost of milk and dairy products, which are already extremely high in our state, would adversely affect efforts to improve the nutritional and general health of Alaskans, especially those citizens living in the rural areas of our state.

### YUKON-TANANA

4-cams  
Akiak  
Eggnut  
Farrington  
Hughes  
Lena  
Minto  
Nanuk  
Noyah  
Pelly  
Sleetna  
Tombstone  
Tulita  
Yukon-Charley Rivers

I therefore urge you to keep the milk tax from becoming law once and for all. Thank you for your attention in this matter.

Sincerely,

TANANA CHIEFS CONFERENCE

Harold "Buddy" Brown, Esq.  
President and Chairman

5-14-04 2:10PM KANA

1907 466000

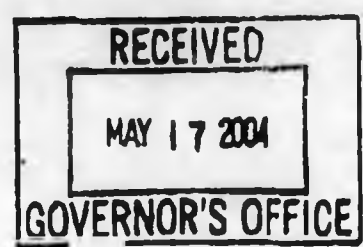
# Kodiak Area Native Association



8303  
MM

3449 Ravenof Dr. East  
Kodiak, Alaska 99615  
Phone (907) 486-9800

May 14, 2004



The Honorable Frank Murkowski  
Attn: Linda Perry-Shaffer, Director,  
Anchorage Office of the Governor  
550 West Seventh Avenue, Suite 1700  
Anchorage, AK 99501

via mail and fax: 907-368-7461

Dear Governor Murkowski:

The Kodiak Area Native Association wishes to voice its opposition to the implementation of the dairy import assessment. We believe the assessment is an onerous "milk tax" passed as part of the *Farm Security and Rural Investment Act of 2002* ("farm bill"). It is nothing more than a hidden and unfair tax on Alaska's dairy producers to help subsidize dairy farmers in the lower 48 states.

If implemented, the milk tax would require Alaskan dairy farmers to pay into the national dairy promotion program that presently benefits the lower 48 states, but does nothing to help Alaska's dairy farmers or consumers. Alaska dairy farmers would be forced to pay a milk tax of \$1.15 per hundredweight, a cost that would likely be passed onto Alaska consumers (the elderly, school children, low income families, etc.), by greedy milk processors and other middlemen — far in excess of the \$1.15 milk tax to be forced upon Alaska's dairy farmers. The price on all dairy products, including cheese and butter, would rise as well.

KANA is concerned that a rise in the cost of milk and dairy products (which are already extremely high in our state), would adversely affect efforts to improve the nutritional and general health of Alaskans — especially those citizens living in remote areas of our state, such as Kodiak and even more so, the out-lying Kodiak villages.

I therefore urge you to keep the milk tax from becoming law once and for all. Thank you for your attention to this matter.

Sincerely,  
*Rita L. Stevens*  
Rita L. Stevens, President / CEO  
Kodiak Area Native Association

cc: Dairy Trade Coalition, via fax: 202-518-9592

RECEIVED  
MAY 19 2004

GOVERNOR'S OFFICE

Serving the communities of: Akhiok • Karluk • Kodiak • Larsen Bay • Old Harbor • Ouzinkie • Port Lions

# The Alaska Milk Coalition

7700 Chaimi Loop  
Anchorage, Alaska 99504

Telephone: 907-332-5709

E-mail: [Traxak@alaska.com](mailto:Traxak@alaska.com)

Jona Richey, Co-Chair

- • President, Tracks of Alaska

Rachel Hecker, Co-Chair

- • Owner, Blue Moon Dairy

March 1, 2005

The Hon. Bob Lynn  
State Representative  
District 31 - Anchorage  
State Capitol - Room 415  
Juneau, AK 99801-1182

Re: Support of House Joint Resolution #5

Dear Representative Lynn,

We are writing to urge the swift passage of House Joint Resolution #5. This bipartisan resolution expresses the Legislature's opposition to the onerous "milk tax" that greedy Outside dairy interests in Washington seek to impose on Alaska's dairy farmers and consumers. The milk tax would be imposed by extending the mandatory federal dairy promotion assessment to Alaska, Hawaii and Puerto Rico.

The milk tax is simply absurd and wrong for Alaska. When Congress authorized the mandatory dairy promotion fee in 1983 to address the problem of surplus milk production in the Lower 48 States, it wisely exempted Alaska and Hawaii because we were - and remain - a milk deficit state. Alaska consumers drink more milk than our farmers can produce. Forcing Alaska dairy producers to pay the mandatory promotion assessment will not reduce our milk deficit. It will only make the milk deficit worse by forcing more Alaska dairy farmers out of business.

Alaska's milk prices are among the very highest in the nation, particularly in the Bush. The milk tax will harm school children, senior citizens, Native populations and all other consumers who need milk for good health. Higher milk prices will lead growing children to substitute soda pop for milk in their diets, stunting their growth and further increasing the already high rate of dental cavities. Restaurants, day care centers, bakeries and other small businesses that regularly use milk and dairy products will see higher costs that will ripple throughout our economy if the milk tax is imposed on Alaska. These businesses either have to absorb the cost of the milk tax or pass them on to consumers in the form of higher prices.

Dairy farmers in the Lower 48 have been fighting to escape the milk tax for many years. We understand that the Federal courts have consistently ruled that the dairy promotion assessment is unconstitutional. It violates the First Amendment rights of dairy farmers who disagree with the

messages they are forced to fund with the tax on the milk they produce. This matter is now under further appeal and may ultimately be settled by the U.S. Supreme Court, which is now considering a similar mandatory promotion tax on beef cattle producers.

The main proponents of the milk tax are greedy dairy interests in Washington such as National Milk Producers Federation and big dairy processor co-ops such as Land O Lakes who want more money to subsidize their lavish lifestyles at our expense. For example, we understand that milk tax dollars are a major source of funding for the U.S. Dairy Export Council, a group of big Outside dairy processors who waste farmers' money on limousines, fancy meetings in exotic vacation resorts and other extravagances. Dairy farmers, meanwhile, are forced to go without health insurance and other basic necessities so dairy promotion "fat cats" can have their fun.

The Alaska Milk Coalition is working with U.S. Senators Lisa Murkowski and Ted Stevens, and Congressman Don Young, who in a July 22, 2004 letter told Secretary of Agriculture Ann Veneman that "we will strongly oppose any plan or scenario - irrespective of its construction - that would lead to the implementation of the milk tax on Alaska ..." USDA has oversight responsibility for the milk tax.

Bob, we appreciate your early leadership role on this issue, including the time last summer when you and Assembly Minority Leader Ethan Berkowitz stood with us at the milk and cookies protest against the milk tax at the Carousel Dairy Care Center in Anchorage. Since then, your efforts have been joined by Reps. Carl Gatto, Bill Stoltze and Vic Kohring, and Senators Lyda Green and Scott Ogan.

We applaud our Congressional delegation's efforts to prevent the milk tax from seeing the light of day in Alaska and ask that you do the same without delay.

Sincerely,

Jlona Richey and Rachel Hecker



Jlona Richey.

Dr. D.J. Kosterman, O.D.

---

5800 Westover Avenue  
Elmendorf AFB, AK 99506  
Phone: (907) 753-7515  
Fax: (907) 753-7585

February 7, 2005

Alaska House Representative Bob Lynn  
State Capitol - Room 415  
Juneau, AK 99801-1182

Via Fax

Dear Representative Lynn:

I am writing to thank you and Representatives Carl Gatto and Ethan Berkowitz for introducing bipartisan House Joint Resolution #5 that opposes imposing a milk tax on Alaskans.

I understand that greedy Outside milk processors, promoters and other middlemen want to force Alaska dairy farmers to pay a milk tax of 15 cents per hundredweight on their dairy production. This tax would likely be passed on to all of Alaska's consumers: the elderly, school children, bakeries, ice cream shops, low income families, and those living in remote areas.

The milk currently does not apply to Alaskans because we do not produce enough milk to meet our in-state demands. If this terrible tax is implemented by Lower 48 Congressmen and Senators it will tax Alaskans' milk for the first time in our state's history.

I urge you to pass House Joint Resolution #5 without delay. No Outside milk taxes for Alaskans!

Sincerely,



Dr. D.J. Kosterman, O.D.

## *The Homemakers Club*

---

*Ellie Hennig, President*  
*Tel (907) 333-4438*

*3804 Wesleyan Drive*  
*Anchorage, AK 99504*

February 7, 2005

Alaska House Representative Bob Lynn  
State Capitol - Room 415  
Juneau, AK 99801-1182

Via Fax

Dear Representative Lynn:

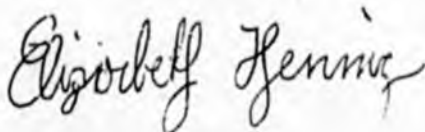
I am writing to thank you and Representatives Carl Gatto and Ethan Berkowitz for introducing bipartisan House Joint Resolution #5 that opposes imposing a milk tax on Alaskans.

I understand that greedy Outside milk processors, promoters and other middlemen want to force Alaska dairy farmers to pay a milk tax of 15 cents per hundredweight on their dairy production. This tax would likely be passed on to all of Alaska's consumers: the elderly, school children, bakeries, ice cream shops, low income families, and those living in remote areas.

The milk currently does not apply to Alaskans because we do not produce enough milk to meet our in-state demands. If this terrible tax is implemented by Lower 48 Congressmen and Senators it will tax Alaskans' milk for the first time in our state's history.

I urge you to pass House Joint Resolution #5 without delay. No Outside milk taxes for Alaskans!

Sincerely,



Ellie Hennig  
President