

June 3, 2022

Federal Deposit Insurance Corporation
Attn: James P. Sheesley, Assistant Executive Secretary
Comments—RIN 3064–ZA32
550 17th Street NW
Washington, DC 20429

Submitted via <https://www.fdic.gov/resources/regulations/federal-register-publications/index.html> and Email to: comments@fdic.gov

Re: Principles for Climate-Related Financial Risk Management for Large Financial Institutions (RIN 3064–ZA32)

Dear Sir:

My name is Lucinda Mahoney and I am the Revenue Commissioner for the State of Alaska. I respectfully submit the following comments in response to the Federal Deposit Insurance Corporation (“FDIC”)’s Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions (“Proposed Principles”).¹ My comments mostly focus on the impact that the proposed principles will have to the State of Alaska. I also support the positions identified in a memo, that I have signed, that was submitted by the State Finance Officers Foundation on this same topic.

I request that the FDIC not adopt the Proposed Principles due to harm that the proposed principles will have on Alaska’s economy, its indigenous people, including its Native and Village Corporations, indigenous village infrastructure, Alaskan roads, bridges, non-profits and the health and education of all Alaskans.

If this proposal is enacted, banks would be encouraged to exclude needed capital in areas of our Alaskan economy. By singling out climate-related risk for special caution in the provision of credit, the Proposed Principles would prompt banks to deny credit, or offer credit on worse terms, to businesses that might conduct business in Alaska. Not only will these actions harm the Alaskan economy and its indigenous people, but it will harm our nation’s ability to become energy independent and create global reliance on energy sources from countries where the carbon emissions are significantly worse than energy produced in Alaska.

A reduction in access to affordable capital in our state will have a negative impact on our economy, State of Alaska general fund revenues and all its residents. Alaska is unique state

¹ Federal Deposit Insurance Corporation, Notice of Proposed Policy Statement; Request For Comment. 2021-62 (April 4, 2022), *Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions* (RIN 3064–ZA32), Federal Register Vol. 87, No. 64, <https://www.fdic.gov/news/board-matters/2022/2022-03-29-notational-fr.pdf>.

whereby oil and gas taxes, royalties and investment earnings from fossil fuel developments and mining developments fund up to 90% of tax and investment revenues. The fossil fuel industry and other natural resource development is the foundation of Alaska's economy providing jobs and community sustainability. Fossil fuel revenues provide Alaskan communities with funds for programs that include education, health, public safety, roads, bridges, power cost equalization for rural communities, water & sewer infrastructure in rural Alaska, and natural resources and environmental management.

The history, as well as the congressional intent behind the Alaska Statehood Act is clear; as the only state that retains ownership interest in subsurface mineral rights, our becoming a state was conditioned upon supporting all these vital public services with resource revenues. Congressional intent for Alaska to responsibly develop our resources is so deeply embedded in statehood that the Act contains a revisionary clause that if Alaska sold the resources in the ground, the land in question would revert to the federal government.

Currently, Alaska's indigenous people significantly benefit from the fossil fuel developments in our state. In addition to the revenues that State government shares with the villages to fund education, health, and infrastructure as mentioned above, many local village communities receive significant direct tax revenue in the form of sales taxes and property taxes generated mostly from fossil fuel investments. The Alaska Native Regional Corporations share 70% of resource revenues among all the 13 corporations (ANSCA 7i) which split it between village corporations and shareholders. Over \$3 billion was shared between 1982 to 2015. The money is often used for cultural education, language revitalization, and scholarships, or is paid directly in shareholder dividends, but the individual corporations ultimately determine how it is spent.

Additionally, the State of Alaska funds education programs to train indigenous people for high paying jobs in the oil and gas sector. Local hire preferences are in place and help to build resilient Native and remote communities. Several of Alaska Native Regional Corporations have established oil and gas service companies to support the oil and gas industry in Alaska as well as the lower 48 states. In addition to providing jobs for its indigenous people, the native corporations also use their revenues to improve the quality of life and economic well-being of their shareholders. The native corporations share the profits with its shareholders in the form of a dividend. These dividends are mostly used to procure basic needs such as food, housing, and transportation. Alaska's indigenous populations enjoy financial support that lower-48 indigenous peoples do not in the form of native and village corporations – thanks in large part to responsible resource development.

Discrimination in financial services in Alaska hurts minority communities of Alaska Natives and their ability to develop land they received as part of a settlement for their aboriginal rights. As mentioned above, many of the companies that provide goods and services to the oil and gas industry on Alaska's North Slope employ Alaska Natives or are owned and operated by Alaska Native Corporations whose shareholders are Alaska Natives. These service companies rely on their ability to use the financial services of a bank to finance equipment or obtain a line of credit for their business operations. These Proposed Principles would require a bank to assess whether providing these typical bank services to companies engaged in the oil and gas industry

or which are in the Arctic pose a climate-related financial risk. In actuality, the proposal could lead to the “red lining” of the Arctic in Alaska and its Native inhabitants, widening the disparities and disadvantaging our first peoples.

As a result of responsible fossil fuel developments some of the local village governments have been able to save portions of its fossil fuel revenues and have formed reserve funds to preserve wealth and ensure sustainable communities for future generations. Also, according to the American Medical Association, Alaskan’s life expectancy rose along with oil and gas development during 1980-2014. Lifespans increased 4-16 years with the highest increase in the indigenous people that live in the North Slope Borough, which is the area of significant oil and gas development. The funds provided by the fossil fuel revenues to this village likely assisted in improved healthcare and access to telemedicine.

As nations across the globe strive to reduce reliance on Russian oil and gas, some may be forced to acquire energy from areas of the globe that do not have the strict environmental standards that are in place in Alaska. Alaska has comprehensive and rigorous environmental permitting, monitoring and compliance programs in place that focus on sustaining human health, reducing carbon emissions and our ecosystem. For many years. Alaska law has prevented the flaring of natural gas during the production of oil. This prohibition significantly reduces greenhouse emissions associated with oil production. Alaska is a longtime leader in categories measured under ESG metrics and ranks lowest among all energy producing states in our nation.

Alaska has already embraced Energy Transition and has funded renewable energy solutions throughout the state enabling 30% of our power to currently come from renewable solutions. Alaska also has the highest amount of acreage committed to carbon offsets in the nation. We value our environment and know how to properly balance with fossil fuel developments.

CONCLUSION

The Proposed Principles favor and elevate social and political issues to the detriment of Alaska, our businesses, our indigenous people, and all our Alaskan residents. Alaska can be part of the global climate change solution with a significant amount of oil and gas reserves waiting to be developed. Our reserves are developed in a responsible sustainable manner that will assist the world as we transition to renewable energy sources. However, a reduction to access to affordable capital now will reduce the likelihood of development and will result in a world that will be forced to rely on higher carbon emissions production.

Thank you for the opportunity to provide comments. If you have any questions, please contact me at Alaska Department of Revenue.

Respectfully submitted,



Lucinda Mahoney
Commissioner, Alaska Department of Revenue