

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

NATURAL RESOURCES KEY INDUSTRY NETWORK (KIN) MEETING February 19, 2015 Helena

KIN Members Present

Loren Rose, Co-Chair
Nancy Schlepp
Mike Newton
Ryan Palma
Nancy Schlepp
Dick Johnson

Todd Myers, Co-Chair
John Beaudry
Gary Marks
Paul McKenzie
Jeff Chaffee

Public/ Staff

Mike Cooney, Lt. Governor
Mary Craigle, Montana Department of Commerce
Tom Kaiserski, Montana Department of Commerce
Michaela Wolfinger, Montana Department of Commerce
Amanda Casey, Office of the Governor
Julie Walker, Montana Department of Commerce
Ray Beck, Deputy Director, Dept. of Natural Resources & Conservation
Todd O'Hair, Cloud Peak Energy
Peggy Trenk, Treasure State Resource Industry Association

9:30AM Lt. Governor Mike Cooney is introduced to the Natural Resources Key Industry Network (KIN). The Lt. Governor spoke on his new role in the Main Street Montana Project. He is going to work to get the recommendations moving as quickly as possible. He thanked the KIN members for their time and participation.

9:45AM Introductions, welcome remarks from Co-chairs Todd Myers and Loren Rose, and review of materials.

Todd provided a word about safety noting the construction and safety precautions he noticed as the Montana Department of Commerce Building is currently going through a remodel. He thanked the members for attending and for all their work.

Mary Craigle gave a quick overview of the handouts provided.

9:50AM Discussion on the Governor's Response to the KIN's letter.

Todd and Loren asked KIN members to read through the Governor's response letter to the November KIN letter to him and the group discussed.

Ryan Palma asked for further explanation on what enhanced oil recovery (EOR) is which the Governor referred to in his letter. Todd and Tom mentioned that it involves injecting CO2 into oil fields which

allows more oil to be produced. The discussion considered whether this technology could utilize CO2 emitted from Colstrip and could this keep Colstrip alive. That remains a possibility.

Tom Kaiserski mentioned that SaskPower operates a carbon capture system on its Boundary Dam coal fired power plant near the Montana border and CO2 has been captured from the Dakota Gasification plant and used for EOR for many years. It was mentioned there is little good press about carbon capture; the discussion is mostly about renewables and killing coal. As the Paris accords show, people have realized there are goals that need carbon capture to meet.

The Co-chairs asked the KIN if they felt the letter helpful to non-timber and non-coal people.

- Nancy Schlepp commented yes, it builds relationships
- Mike Newton mentioned that the letter doesn't address anything as far as state permitting. Loren commented that was because the letter to the Governor addressed federal regulations only.
- Dick Johnson questioned carbon capture using EOR discussed in the letter saying he does not think that it actually captures CO2; that it comes back up with the oil. Tom mentioned that it is true that the CO2 comes up with the oil but that it's extracted from the oil and reused in the EOR process, but that some of the CO2 will stay sequestered in the ground.

Note: Todd Myers subsequently circulated to the KIN a 2012 report by L. Stephen Melzer that finds approximately 95% of the CO2 remains sequestered upon the completion of an EOR project.

10AM The KIN discussed the Montana Energy Infrastructure Authority proposal

The group then discussed the Energy KIN's recommendation to the Governor to create an Energy Infrastructure Authority; there are similar bodies in Wyoming and North Dakota. The Natural Resources KIN co-chairs agreed to approach the Energy KIN to discuss the potential to broaden the proposal to include all natural resources and to not be limited to energy only.

Paul McKenzie noted that there's no discussion of biomass in the MEIA proposal. Todd Myers noted his interest in biomass and wonders if it could be part of the fuel mix at Colstrip or elsewhere in Montana. Transportation costs and coordination are critical to the viability of biomass energy. Coal trains were brought up with a possible solution of using empty rail cars after delivering coal, to deliver biomass on their return east.

10:30AM Break

10:45:AM KIN discussion on existing natural resource apprenticeship programs

Tom Kaiserski reported that he had reached out to Darrel Holzer, the Montana State Apprenticeship Training Program Director at the MT Department of Labor and Industry. Director Holzer reported back that he is not aware of any apprenticeship programs in Montana that are in the natural resource sector. Members of the KIN mentioned areas where they work with the MUS directly (MT Tech in particular) for workforce and training. It was recommended that private industry and state government partner to build a Montana website that can market and list apprentice programs in the natural resource sector.

There are over 1000 apprenticeship programs at the national level. These programs need to be further researched and there is opportunity to work with industry to determine which ones can be credentialed. Dr. Kirk Lacy's position with the Montana Department of Labor and Industry and the Office of the Commissioner of Higher Education can help research programs and provide coordination.

Todd Myers inquired what the status is of the various initiatives with the tribes. He mentioned that a lot of potential development will be on the Crow reservation. Mary Craigle responded that the tribal work is being wrapped into the larger Main Street MT Project picture. Jason Smith in the Governor's Office and Casey Lozar with the MT Department of Commerce have been reaching out to the tribes. Indian Country recommendations are being moved forward but at a slower pace. It was mentioned during this discussion that it would be nice to have a one stop shop listing of current projects and state resources available to facilitate doing business on the reservations.

Nancy Schlepp mentioned that Sapphire Mine is a major investor in Tintina Resources which means Tintina Resources will be engaging the tribes.

The question was asked if mills get much business from the tribes. Loren Rose responded that the Salish Kootenai do a lot of timber business. It was noted that some tribes have a well-developed process for timber.

When discussing if developing workforce could help the natural resource sector it was brought up that a lot can be done for the natural resources sector in the school system (K-20). Education starting from the elementary level can help get rid of the stigmas around the natural resources industry sector. These stigmas keep students from pursuing careers in the industry and keep students and the public from learning how valuable these jobs are and understanding current industry practices.

11:15AM Review other KIN recommendations

The KIN discussed what recommendations were coming out of the other Main Street MT Project KINs, what the commonalities were, and how to coordinate to be most effective.

Mary Craigle indicated that a lot of these goals which the natural resources industry provides, infrastructure and taxes for example, are common across all the KINs. KINs will be educated updated along the way to provide collaboration prevent duplicative efforts. It also creates an opportunity to marry up taxes with education from industries and create more dialogue between industry and the Department of Revenue.

Every KIN feels there are misperceptions about their industries. Industries can coordinate and work together to dispel these misnomers. The state can help with coordination of these efforts. Also discussed was the interconnectivity among industries and events of which the public is not aware. An example is when Stillwater mine had to shut down because of wild fires creating poor air quality in its mine ventilation system.

It has been observed by the KIN how compartmentalized industries are. Government can play a role in improving that by increasing collaboration and breaking down those silos. The KINS can rely on Mary to make connections with her new role in the Governor's office.

It was discussed that the KIN would like state government to come up with "the Montana Brand." Mary informed the group that the MT Department of Commerce has reorganized and merged its Business Resource Division with its Tourism Division. This combines resources and allows the promotional staff to work with the business development staff to create "The Montana Brand" for business.

11:30AM Natural Resources KIN works toward final recommendations

12PM Lunch

12:30PM Continue Natural Resources KIN work toward final recommendation

The KIN worked through the attached draft recommendations, making edits and revisions and combining some to arrive at a final set of draft recommendations.

1:25PM Next Steps

Staff will provide Department of Revenue work to augment and summarize tax information including providing information on royalty payments and current revenue projections.

Mary and Tom will use the draft recommendations developed to write up a final report to the Governor. The meeting with the Governor and the co-chairs is scheduled for March 11. Main Street staff will also exploring schedule a cross KIN meeting with the Energy and Utilities KIN.

The KIN expressed a strong desire for something positive come out of all of the work.