

Frequently Asked Questions: Teck Alaska Files Legal Complaint

1. **What is happening with the annual payment from Teck Alaska Red Dog Operations to the Northwest Arctic Borough?**

For over 25 years, Red Dog has made contributions to the Northwest Arctic Borough (NAB), through a Payment in Lieu of Taxes (PILT) agreement. PILT agreements have traditionally been negotiated cooperatively between Red Dog and the NAB, with the most recent PILT agreement expired at the end of 2015.

Starting January 1, 2016, the NAB has levied what it calls a Severance Tax instead of the traditionally negotiated PILT, resulting in a payment that is about triple the previous payments under the PILT agreement.

2. **How much are Teck Red Dog Operations payments increasing by?**

Payments made under the previous PILT agreement averaged \$11.5 million per year over the past five years. The severance tax levied by the NAB will be an estimated \$30-40 million per year, depending on metal prices. On average, this will be about triple the previous payment.

3. **Why is the NAB increasing Red Dog's payments so significantly from one year to the next?**

We can't speak for the NAB. However, they have not explained their funding needs to us and will not work cooperatively to negotiate a reasonable new payment agreement.

4. **What will the impact of this tax increase be on the Red Dog mine?**

This tax increase is coming in the midst of the most severe downturn in the mining industry in decades. It could impact the longevity of Red Dog and impact the 715 jobs it supports and the revenues it generates for the region and the state. The tax could also affect the economics of potential future mining projects in the Borough.

5. **Why are you taking legal action?**

Unfortunately legal action was one of the only remaining options, as the NAB has refused to engage in good faith negotiations to reach a reasonable payment agreement. Our legal filing requests that the severance tax be suspended and that the NAB be required to come to the table to negotiate a new agreement.

6. **What is your legal argument?**

We believe that the decision to triple the annual payment is unreasonable and unconstitutional, and that the parties should be working cooperatively to negotiate a new payment agreement in good faith, as has been done for over 25 years. This tax is also discriminatory, in that it targets just one company, exploits the vulnerability caused by our massive and immobile investment, impacts our ability to engage in international commerce, and is many times greater than any similar taxes imposed on mines elsewhere in Alaska.

7. Are there other ways the NAB can raise revenues besides the Severance Tax?

Yes, the NAB has several options to collect revenues, which to date they have not implemented. This means Red Dog Operations effectively remains the only taxpayer for the region.

8. What are the next steps in the legal process?

We filed our complaint on January 15. The next steps will take some time to determine and will also depend on the NAB's response to the legal filing. It is our hope that rather than continue the legal process, the NAB will agree to come to the table and work cooperatively to achieve a reasonable new agreement.

