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Bullock
3/29/10

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 2()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES RAMRAS, Millett, Johnson, Chenault, Hawker, Dahlstrom, Neuman

SENATORS Therriault, McGuire, Meyer, Huggins, Stevens, Wagoner, Bunde

A RESOLUTION

1 **Urging the Governor to commit to providing energy security for all Alaskans by**
2 **supporting the in-state gas pipeline project and assisting the project in its efforts to**
3 **secure needed permits, rights-of-way, engineering specifications, and other approvals**
4 **necessary or desirable, to bundle the approvals for sale on the market to interested**
5 **private sector pipeline companies, and in all other ways to act in due haste to move the**
6 **in-state natural gas pipeline to a construction phase; urging the Governor to support the**
7 **persons working on the in-state gas pipeline project in discussions with and obtaining of**
8 **letters of intent from potential industrial users of natural gas, including the Agrium**
9 **U.S., Inc., facility, the ConocoPhillips/Marathon facility, mining companies, and other**
10 **businesses interested in value-added processing of petroleum gases transported in a**
11 **natural gas pipeline from the North Slope or Brooks Range foothills for the purpose of**
12 **providing jobs for Alaskans and ensuring the economic viability of the pipeline; urging**
13 **the Governor to pursue the renewal of the license issued by the United States**
14 **Department of Energy to export natural gas produced on the North Slope or in the**

1 **Brooks Range foothills that exceeds the needs and demands of Alaskans for affordable**
2 **natural gas; urging the Governor to continue negotiations with one or more entities**
3 **capable of producing and supplying natural gas from the North Slope or Brooks Range**
4 **foothills to Southcentral and Interior Alaska on commercially reasonable terms and in**
5 **sufficient quantities to support the energy needs of Alaskans and the economic viability**
6 **of a pipeline; urging the Governor to expedite the permits necessary or desirable to**
7 **construct and operate a gas-to-liquids facility at Point Mackenzie if a feasibility**
8 **document shows that it is economically viable; and urging the Governor to take the**
9 **actions requested in this resolution, as necessary and appropriate, immediately and with**
10 **all reasonable speed and effort.**

11 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

12 **WHEREAS** natural gas production in the Cook Inlet region of the state has suffered
13 significant decline, resulting in the closure of the Agrium U.S., Inc., facility in Kenai and
14 jeopardizing the supply of natural gas to consumers that rely on production from the Cook
15 Inlet region; and

16 **WHEREAS** there are significant quantities of natural gas on the North Slope that
17 could be produced if a means for economically delivering the product to market were
18 available; and

19 **WHEREAS** the major gas pipeline project licensed by the state under AS 43.90
20 (Alaska Gasline Inducement Act) or a similar alternative project that offers five natural gas
21 delivery points in the state is not expected to transport natural gas from the North Slope until
22 after 2016; and

23 **WHEREAS** the people of the state need energy security and access to affordable
24 natural gas as soon as possible; and

25 **WHEREAS** the demand for natural gas in the state is expected to increase steadily;
26 and

27 **WHEREAS** farms cover more than 25,000 acres in five boroughs, and that acreage

1 has a value of approximately \$22,700,000; and

2 **WHEREAS** more than 300 farmers reside in the Matanuska-Susitna Borough, and
3 more than 130 farmers reside in the Fairbanks area; and

4 **WHEREAS** Alaska farms need fertilizer for crops, particularly in the form of urea for
5 hay and grain crops; and

6 **WHEREAS** Agrium U.S., Inc., owns the only urea fertilizer plant in the state, and
7 that plant was closed in 2007 because of the lack of reasonably priced natural gas for use as
8 feedstock for the plant; the closure of the Agrium U.S., Inc., urea fertilizer plant resulted in a
9 loss of approximately 250 jobs and a 400 percent increase in the cost of fertilizer for farmers
10 in the state because of the costs of shipping in fertilizer from outside the state; and

11 **WHEREAS** a natural gas pipeline that delivers natural gas from the North Slope to
12 the Cook Inlet region could provide necessary feedstock for the Agrium U.S., Inc., urea
13 fertilizer plant, enabling the plant to reopen; and

14 **WHEREAS** the state has an interest in encouraging consumers to switch from liquid
15 fossil fuels to less expensive and cleaner-burning natural gas, particularly in the Interior and
16 other regions in the state struggling to comply with the fine particle air quality standard
17 commonly known as PM 2.5, imposed by the United States Environmental Protection Agency
18 under 42 U.S.C. 7401 - 7671q (Clean Air Act); and

19 **WHEREAS** the United States Energy Information Administration in the United States
20 Department of Energy projects a growing international and domestic demand for Fischer-
21 Tropsch fuels and Alaska is identified as an important domestic source of gas-to-liquids
22 production; and

23 **WHEREAS** the United States Department of Energy export license granted to
24 ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company to export from
25 the Kenai liquefied natural gas export facility near Kenai up to 99,000,000,000,000 British
26 thermal units of liquefied natural gas, the equivalent of 98,100,000,000 cubic feet of natural
27 gas, will expire March 31, 2011, and, if not renewed, the Kenai liquefied natural gas export
28 facility may close after 2011; and

29 **WHEREAS** the collective demand for natural gas in the Interior and Southcentral is
30 anticipated to expand from 200,000,000 cubic feet a day to approximately 700,000,000 cubic
31 feet a day during the period 2010 to 2025, and, if no new natural gas is discovered in the Cook

1 Inlet region, the demand for natural gas in Southcentral alone will exceed production from the
2 Cook Inlet region; and

3 **WHEREAS** renewing the natural gas export license so that natural gas may be
4 exported from Alaska using natural gas transported from the North Slope will improve the
5 economic viability of the in-state pipeline, protect jobs and key industries, address the
6 potential lack of natural gas supply to industrial and consumer customers in the Interior and
7 Southcentral, and enhance PM 2.5 compliance in the state; and

8 **WHEREAS** the state has made considerable progress on developing an in-state gas
9 pipeline, as reflected in the Governor's Alaska in-state gas pipeline project coordinator's
10 report, "Stand-Alone Gas Pipeline Project Description or Plan of Development," which
11 includes preliminary designs and planning for pipeline facilities; route analysis for the in-state
12 pipeline, pipeline specifications, and identification of material, equipment, and land
13 acquisition needs; and

14 **WHEREAS** the Governor's Alaska in-state gas pipeline project coordinator suggests
15 that construction of the in-state pipeline could begin by June 2012, with possible startup by
16 2016; and

17 **WHEREAS**, by 2018, declining oil flow through the Trans Alaska Pipeline System
18 will seriously diminish state revenue, and the project licensed under AS 43.90 (Alaska
19 Gasline Inducement Act) to deliver North Slope gas to the North American gas pipeline grid
20 in Central Alberta is not expected to produce state revenue before 2020; and

21 **WHEREAS** the first open season for the project licensed under AS 43.90 (Alaska
22 Gasline Inducement Act) will be conducted during the summer of 2010; and

23 **WHEREAS**, if the state receives conditional transportation commitments, those
24 conditional transportation commitments will lack the value of firm commitments required by
25 potential financiers and may not provide a strong platform with which to secure financing for
26 the large-diameter pipeline; and

27 **WHEREAS** receipt of conditional commitments during open season will extend the
28 period of time before Alaskans will know with certainty whether or not a large diameter
29 pipeline will be able to secure financing and move forward to the construction phase; and

30 **WHEREAS** failing to move forward with the development of an in-state gas pipeline
31 if only conditional commitments are received for the project licensed under AS 43.90 (Alaska

Gasline Inducement Act) would fail to provide Alaskans with gas supply certainty; and

WHEREAS it is in the best interest of all Alaskans to continue to move forward to the construction of an in-state natural gas pipeline and to designate a time certain to build that in-state gas pipeline;

BE IT RESOLVED that the Alaska State Legislature urges the governor to commit to providing energy security for all Alaskans by supporting the in-state gas pipeline project in its efforts to secure needed permits, rights-of-way, engineering specifications, and other approvals necessary or desirable; to bundle the approvals for sale on the market to interested private sector pipeline companies; and in all other ways to act in due haste to move the in-state natural gas pipeline to a construction phase; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the Governor to support the persons working on the in-state gas pipeline project in discussions with and obtaining of letters of intent from potential industrial users of natural gas, including the Agrium U.S., Inc., facility, the ConocoPhillips/Marathon facility, mining companies, and other businesses interested in value-added processing of petroleum gases transported in a natural gas pipeline from the North Slope or Brooks Range foothills for the purpose of providing jobs for Alaskans and ensuring the economic viability of the pipeline; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the Governor to pursue the renewal of the license issued by the United States Department of Energy to export natural gas produced on the North Slope or in the Brooks Range foothills that exceeds the needs and demands of Alaskans for affordable natural gas; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the Governor to continue negotiations with one or more entities capable of producing and supplying natural gas from the North Slope or Brooks Range foothills to Southcentral and Interior Alaska on commercially reasonable terms and in sufficient quantities to support the energy needs of Alaskans and the economic viability of a pipeline; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the Governor to expedite the permits necessary or desirable to construct and operate a gas-to-liquids facility at Point MacKenzie if a feasibility document shows that it is economically viable; and be it

FURTHER RESOLVED that the Alaska State Legislature urges the Governor to take the actions requested in this resolution, as necessary and appropriate, immediately and with all

1 reasonable speed and effort.