

To: Senate Finance Committee Members
From: Lisa Weissler, Attorney
Date: March 4, 2014
Re: CSSB 138(RES), Public Comment

Substantive changes to CSSB 138 (RES) are needed in order to protect the state's sovereign role and public interests in an LNG gas pipeline project.

State ownership in a gas pipeline is a major public policy decision with many risks and benefits that warrants a thorough and public discussion, including whether there are other viable financial or regulatory options that provide similar benefits with fewer risks to the state.

If equity participation is found to be in the state's best interest, legislation is needed to establish how the state participates in the project, how public interests will be protected and what can and cannot be included in any contracts or agreements. It is important to establish in law any conditions for the state's equity participation because once the state enters into commercial agreements, its role as a sovereign is limited.

Similar to the Stranded Gas Development Act, an Alaska LNG Project Act would include statutory provisions relating to:

- Principles and conditions for state equity participation
- Establishment of a state-owned public corporation or authority to manage the project
- Principles and conditions for state participation as a shipper
 - Gas treatment, transport and marketing of state gas
- Timing and procedures for legislative consultation and authorizations
- Disclosure of information; confidentiality procedures
- Timing of state commitments
- Instate gas deliveries and affordable energy
- Municipal participation and impacts
- Payment in lieu of taxes
- Gas royalty and tax
- Pipeline access and expansion
- Specific protections for the state oil tax and royalty structure
- DNR commissioner findings and a determination that a proposed contract is in the state's best interests; subject to public review and comment
- Alaska hire
- Other provisions as necessary to protect the state's interests

Clear statutory language governing state participation and future negotiations will strengthen the state's hand as the administration works to develop contracts and other agreements for legislative review and approval, and will help protect the state's interests as the project proceeds.