



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

April 11, 2014

Representative Alan Austerman, co-chair  
Representative Stoltze, co-chair  
House Finance Committee  
State Capitol  
Juneau, AK 99801

Re: CSSB 138.

Dear Co-chairs Austerman and Stoltze

I am writing on behalf of the Resource Development Council to support passage of CSSB 138, gas line enabling legislation this session.

RDC is a statewide business association representing forestry, oil and gas, mining, tourism, and fishing industries. Our mission is to grow Alaska through responsible resource development. RDC supports policies aimed at increasing the commercial viability of developing Alaska's natural gas resources.

The "Heads of Agreement" (HOA) aligning the interests of the three major North Slope producers (ExxonMobil, BP and ConocoPhillips), TransCanada, the state administration and the state-owned Alaska Gas line Development Corporation (AGDC) is a major step forward. This represents unprecedented alignment of interests in moving forward in developing this world-class gas resource for both in state use and export. Getting the producers, the state and TransCanada on the same page is unprecedented. With the announcement of the Heads of Agreement, we can see a path forward to a single project involving the producers, TransCanada and the state through AGDC.

Unlike oil, LNG is sold on long-term multi-decade contracts. An LNG project will require durable and predictable fiscal terms, and the heads of agreement and authorizing CSSB138 provides for a stepped approach forward in defining the state's participation including fiscal terms and a corresponding equity interest.

The model of State participation proportionate to its royalty gas in-kind and gross tax taken in gas as envisioned in the HOA and as outlined in CSSB138 is an appropriate means of aligning the interests of the parties. The Senate and the House Resource Committee have both conducted in depth due diligence and have made changes to improve the legislation.

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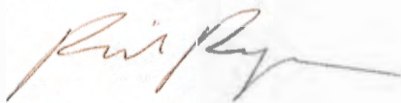
Alignment of interests; durable agreements including fiscal terms; and maintaining a vibrant competitive oil industry are vital to gas line development. The deliberate stepped approach to moving this project forward with an eye towards alignment and durability is our best hope for an economically viable large capacity LNG project. We also need to weigh the project risks against the risks of failure to monetize our gas.

Without question the most beneficial gas line project for Alaskans is a large capacity line sanctioned by the producers in partnership with the state. Fundamental project economics, largely out of our control, will dictate whether this project ever gets constructed. The HOA presents Alaskans with the best chance of advancing the Alaska LNG project to a stage where we can see if it can compete for long-term contracts to underpin project sanction.

RDC encourages this committee to continue with its due diligence and to pass gas line enabling legislation this session, recognizing that this is a stepped approach with further legislative decision points and off ramps down the road as the project matures. We recognize the time constraints as the end of session approaches. However passing CSSB138 this session has significant advantages to further delay by allowing the project to move into pre FEED, and by securing the benefits of the alignment achieved by the HOA.

Thank you for your hard work and public service on this issue of such importance to Alaska's economic and energy security.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Rogers", with a stylized flourish at the end.

Rick Rogers, Executive Director  
Resource Development Council for Alaska