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Bullock
3/18/09

CS FOR HOUSE CONCURRENT RESOLUTION NO. 12()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES RAMRAS, Johnson

A RESOLUTION

1 **Requesting that the governor and the attorney general review and reevaluate the project**
2 **proposed by TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly**
3 **as licensee, under the Alaska Gasline Inducement Act to determine whether the project**
4 **proposed by the licensee fails to maximize the benefits to the people of the state or is**
5 **uneconomic, taking into consideration economic changes affecting project financing, the**
6 **availability of liquefied natural gas and natural gas from nonconventional sources, the**
7 **state's risk of paying treble damages associated with an in-state gas pipeline, and the**
8 **expected budget deficit; and requesting that the governor and the attorney general**
9 **report the outcome of the review and reevaluation within six months.**

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

11 **WHEREAS** the state of the national and global economy has been officially declared
12 a "recession," and current energy markets and credit markets are in turmoil, thereby creating
13 new uncertainties for the economic feasibility of the large diameter gas pipeline contemplated

1 by the licensee under AS 43.90 (Alaska Gasline Inducement Act) as well as the ability of the
2 licensee to finance the construction; and

3 **WHEREAS** aggressive developments of shale and other nonconventional gas
4 resources in the Lower 48, such as the Barnett shale formation in Texas, estimated at
5 30,000,000,000,000 cubic feet of recoverable gas; the Haynesville shale formation across East
6 Texas, Louisiana, and Arkansas, estimated to have 20,000,000,000,000 to 35,000,000,000,000
7 cubic feet; and the Marcellus shale formation stretching from West Virginia into upstate New
8 York, with recoverable reserves estimated at 50,000,000,000,000 cubic feet, have brought
9 substantial new domestic natural gas production to market and will continue to produce for
10 years into the future; and

11 **WHEREAS** technological advancements in the field of shale gas recovery have
12 lowered costs and prompted increased production, adding to the competition for a long-
13 distance, large diameter pipeline; and

14 **WHEREAS** shale gas in the continental United States is closer to large markets and
15 already enjoys thousands of miles of pipe and transmission lines where the construction of
16 risk and cost have already been mitigated; and

17 **WHEREAS** the cost of incremental production gains in shale gas are less costly and
18 less risky than a multibillion-dollar large diameter pipeline; and

19 **WHEREAS** increased availability of liquefied natural gas from points around the
20 world also present growing competition in the United States market for a gas pipeline from
21 Alaska; and

22 **WHEREAS** there is significant capacity available at existing, expanded, new, and
23 proposed liquefied natural gas receiving terminals to serve the United States market; and

24 **WHEREAS** new liquefied natural gas production facilities are coming online
25 worldwide, in search of a market, with the United States being the largest natural gas market
26 in the world; and

27 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
28 acting jointly, determined that the joint application of TransCanada Alaska Company, LLC,
29 and Foothills Pipe Lines Ltd. proposed a natural gas pipeline project that will sufficiently
30 maximize the benefits to the people of the state and merits issuance of a license under
31 AS 43.90 (Alaska Gasline Inducement Act); and

1 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
2 acting jointly, published a notice of intent to issue a license to TransCanada Alaska Company,
3 LLC, and Foothills Pipe Lines Ltd., jointly, under AS 43.90 (Alaska Gasline Inducement Act)
4 and forwarded the published notice along with the findings, supporting documentation, and
5 determination to the presiding officer of each house of the Alaska State Legislature; and

6 **WHEREAS** the Alaska State Legislature approved the issuance of the license to
7 TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, by
8 passing HB 3001 during the Fourth Special Session of the Twenty-Fifth Alaska State
9 Legislature; and

10 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
11 acting jointly, have issued the license approved by the Alaska State Legislature; and

12 **WHEREAS** AS 43.90.440 entitles TransCanada Alaska Company, LLC, and
13 Foothills Pipe Lines Ltd., jointly as licensee, to a payment from the state of an amount equal
14 to three times the total amount of the expenditures incurred and paid by the licensee that are
15 qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in
16 developing the licensee's project if, before the commencement of commercial operations,

17 (1) the state extends to another person preferential royalty or tax treatment or
18 grant of state money for the purpose of facilitating the construction of a competing natural gas
19 pipeline project in this state; and

20 (2) the licensee is in compliance with the requirements of the license and with
21 the requirements of state and federal statutes and regulations relevant to the project; and

22 **WHEREAS** the people of the state have a present need for natural gas produced from
23 the North Slope, and it is in the best interests of the state to pursue a means for delivering
24 natural gas produced from the North Slope to the people of the state before the
25 commencement of commercial operations of the project proposed by TransCanada Alaska
26 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee; and

27 **WHEREAS** the development of a project for the delivery of natural gas from the
28 North Slope before the commencement of commercial operations of the project proposed by
29 TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, may
30 require the state to consider fiscal issues related to facilitating the construction of a natural gas
31 pipeline; and

1 **WHEREAS** current revenue projections for Alaska indicate that Alaskans will be
2 facing a budget deficit in the years ahead, further jeopardizing the state's ability to pay treble
3 damages to the licensee should the state become liable to the licensee for violating the
4 assurance to the licensee in AS 43.90.440; and

5 **WHEREAS** the licensee's ongoing work, including field work, continues to increase
6 the state's liability for reimbursing the licensee; and

7 **WHEREAS** a project other than the project proposed by TransCanada Alaska
8 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, that receives preferential
9 royalty or tax treatment or a grant of state money may be considered a competing natural gas
10 pipeline project to the project pursued under the license issued to TransCanada Alaska
11 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee; and

12 **WHEREAS** it is in the best interest of the state that the state have maximum
13 flexibility to take any action necessary to develop its natural gas and to meet the energy needs
14 of the people of the state; and

15 **WHEREAS** the entitlement of TransCanada Alaska Company, LLC, and Foothills
16 Pipe Lines Ltd., jointly as licensee, to a payment by the state of an amount equal to three
17 times the total amount of certain qualified expenditures incurred and paid by the licensee
18 handicaps the state from pursuing reasonable alternatives for the development of a project to
19 deliver natural gas from the North Slope to the people of the state or for export from the state
20 for the benefit of the people of the state; and

21 **WHEREAS** it is in the best interest of the state to eliminate the risk of a payment of
22 an amount equal to three times the total amount of certain qualified expenditures incurred and
23 paid by the licensee so that the state may pursue all reasonable means for the development of
24 the state's natural gas and to meet the energy needs of the people of the state; and

25 **WHEREAS** the dilemma for Alaska is whether or not a large diameter gas pipeline
26 into a North American hub market is commercially viable; and

27 **WHEREAS** it is unclear if there is a value for the state to spend up to \$500,000,000 to
28 create competition when it is uncertain, even if there are two or more competing projects,
29 whether or not those projects will ultimately be commercially viable;

30 **BE IT RESOLVED** that the Alaska State Legislature requests that the governor and
31 the attorney general review and reevaluate the project proposed by TransCanada Alaska

1 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, under AS 43.90 (Alaska
2 Gasline Inducement Act) to determine whether the project proposed by the licensee fails to
3 maximize the benefits to the people of the state or is uneconomic, taking into consideration
4 economic changes affecting project financing, the availability of liquefied natural gas and
5 natural gas from nonconventional sources, the state's risk of paying treble damages associated
6 with an in-state gas pipeline, and the expected budget deficit; and be it

7 **FURTHER RESOLVED** that the governor and the attorney general are requested to
8 report the outcome of their review and evaluation within 180 days after this resolution is
9 passed by the legislature.