

# Gas Pipeline: Issues Update

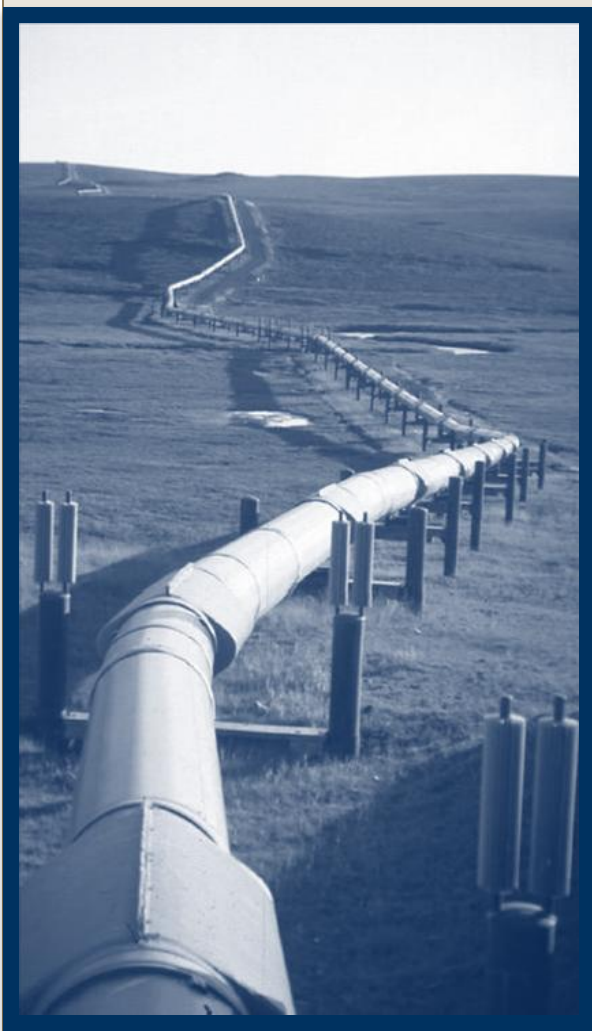
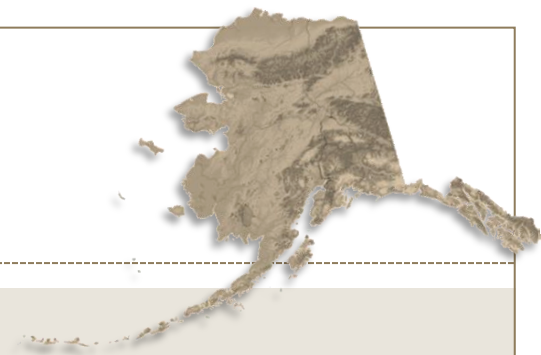


## SENATE RESOURCES

AUGUST 15, 2011

DNR COMMISSIONER DAN SULLIVAN

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# Secure Alaska's Future



*The State of Alaska's  
Comprehensive  
Strategy to Increase  
TAPS Throughput to  
One Million  
Barrels/Day*

- Enhance Alaska's global competitiveness and investment climate
- Ensure the permitting process is structured and efficient
- Facilitate and incentivize the next phases of North Slope development
- Unlock Alaska's full resource development potential through partnerships with key stakeholders
- Promote Alaska's resources and positive investment climate to world markets

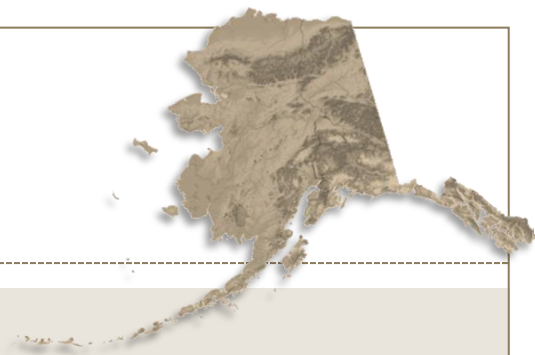
# Strategic View: *Oil and Gas Synergies*



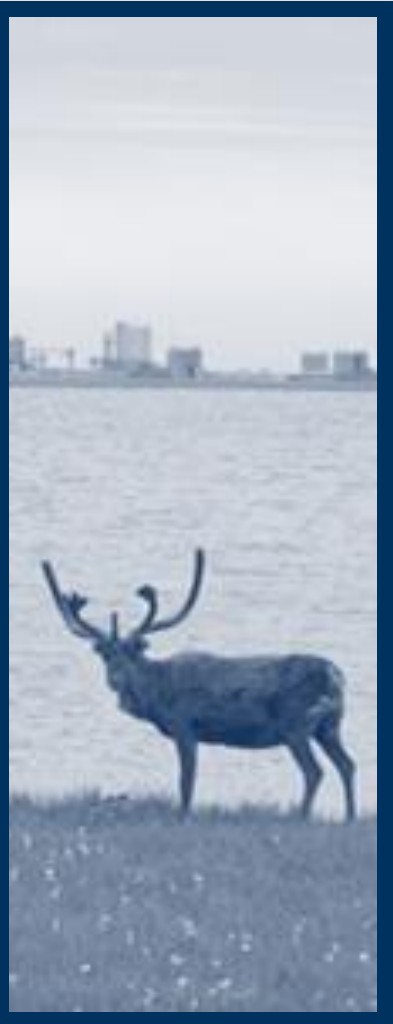
- Must consider the state's broad strategic interest in maximizing the development of North Slope oil and gas resources
- Need to ensure that a gas pipeline will:
  - Improve exploration economics substantially because explorers will know that they will be able monetize any discovered gas and/or oil
  - Stimulate much needed North Slope investment because the presence of transportation infrastructure will ensure explorers have an opportunity to market gas and/or oil
  - Make smaller oil accumulations more economic
- Long-term strategic outcome: gasline development helps spur TAPS and vice versa; two lines delivering oil and gas for decades



# Progress on *Commercializing North Slope Gas*



- Substantial progress moving forward on a gas pipeline under AGIA and AGDC
  - Environmental work; Engineering; Permitting; Legal
  - This time-consuming work must be accomplished for any pipeline project
- APP Open Season last summer
- Point Thomson
- However, there is frustration and urgency to accelerate the commercialization and delivery of our gas; the Administration shares this
- But, the sense of urgency should not force us to make strategic mistakes
- Abandoning work that has already been accomplished could set us back many years



# Path Forward: *Need for Humility and Flexibility*



- Markets are fluid and have shifted considerably
  - Plans for major NA importing LNG shelved
  - Many experts missed shale gas revolution, e.g. Mulva *WSJ* Interview
  - Asia economic growth and Japanese nuclear issues
  - Renewed Cook Inlet interest
  - North Slope oil at a premium to WTI
- There is uncertainty about the future
  - When will LNG decouple from oil?
  - Will Japan move off of nuclear?
  - Will the shale revolution increase supply in Asia and Europe?
  - Will the shale revolution continue in the Lower 48?
- U.S. and global economic growth outlook is uncertain
- Mega-projects take a long time to complete
  - AGDC 2019

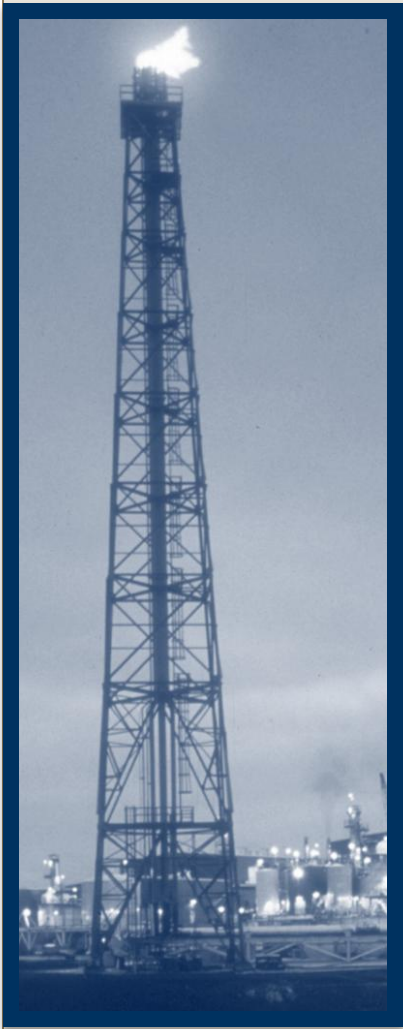
# Path Forward: *Common Challenges and Possible Synergies*



- Common challenges for any project in Alaska
  - Dynamic market conditions
  - Uncertain shipper commitments
  - Resolution of fiscal terms at appropriate time
  - Scattered allegiances/constituencies
- Possible synergies for any project in Alaska
  - Common route north of Livengood
  - Securing reliable energy supply for in-state use
  - Workforce development
  - Markets and usage beyond existing in-state needs
  - Alignment on data acquisition and permitting
  - Synchronized open seasons



# Path Forward: *Key Principles and Possible Integration*



- Key principles for any project
  - Gas to address Alaska's in-state needs for abundant supplies of low-cost energy and economic growth
  - Gas that will maximize the value of the state's massive resource base through high-volume and export markets
  - A project that incentivizes exploration and investment in continued oil and gas development
- Possible integration of projects
  - Reducing redundancies and cost
  - Coherent state structure
  - Consistent state message
- Consensus:
  - Executive Branch/Legislature—*Public support*
  - Producers



# Additional Guiding Principles



- Design a pipeline project that is flexible with respect to off-take points and possible spur lines to address future in-state needs in the Interior, Cook Inlet, and rural Alaska
- Ensure continued exploration and development of the North Slope, Foothills, and Cook Inlet for oil and gas, and increase TAPS throughput
- Ensure the gas pipeline has the capacity to allow oil and gas explorers to commercialize gas
- Reduce costs, maximize efficiencies and maintain flexibility so that market conditions can determine the best project by looking at synergies among projects
- Commercialize gas so that infrastructure is available to all parties
- Honor contracts and commitments made by the State of Alaska