

**STATE OF ALASKA  
THE LEGISLATURE**

**2002**

**Source**

SCS CS11JR 44(RES) am S(reengrossed)

**Legislative  
Resolve No.**

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Strongly urging the President of the United States, the United States Congress, and appropriate federal officials to support the construction and operation of the Alaska Highway Natural Gas Pipeline route.

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

**WHEREAS** the Alaska North Slope (ANS) has the largest known, discovered natural gas resources, estimated to be 35 trillion cubic feet, in the United States and estimated, undiscovered gas resources in excess of 100 trillion cubic feet; and

**WHEREAS** demand for natural gas in the lower 48 states is expected to experience record growth, rising from approximately 22 trillion cubic feet a year in 2000 to 30 - 35 trillion cubic feet a year in 2020, with some experts predicting demand to be as large as 50 trillion cubic feet a year in 2020; and

**WHEREAS** the lower 48 states have an inadequate resource base to meet this expected demand, and experts expect that more natural gas will have to be imported from Canada and from other countries in the form of liquefied natural gas (LNG); and

**WHEREAS** the near record drilling in the last two years in the lower 48 failed to provide any significant gas supply increase and many experts are questioning whether other

United States frontier areas like the deepwater Gulf of Mexico will be able to deliver material new gas supplies and, therefore, more imports may be required than previously thought; and

**WHEREAS** it is important for the United States to have a reliable and affordable source of domestic natural gas for its citizens and businesses, and for national security, especially given the recent tragic events; and

**WHEREAS** energy supply disruptions have significant negative effect on the United States economy, including the losses of tens of millions of United States jobs; and

**WHEREAS**, if the United States imports significant amounts of LNG, it can be subjected to the market power of the exporting country through mechanisms such as embargoes and price making; and

**WHEREAS** ANS is one of few known locations in the United States that can supply significant natural gas supplies to the lower 48 for years to come; and

**WHEREAS**, given these supply and demand projections, several companies and entities have studied three different pipeline routes, including a "northern" route, running off the shore of the Arctic National Wildlife Refuge in the Beaufort Sea to the Mackenzie Delta and south through Canada to the lower 48; a "southern" route along the Alaska Highway through Canada to the lower 48; and an "LNG" route adjacent to the Trans Alaska Pipeline System pipeline to Valdez and LNG tankers for delivery to California; and

**WHEREAS**, in 1976, Congress passed the Alaska Natural Gas Transportation Act of 1976 (ANGTA) authorizing the President to select a route to transport natural gas from ANS to the lower 48 and providing procedures to expedite the construction and operation of the selected route; and

**WHEREAS**, in 1977, following lengthy public hearings and negotiations with Canada, the President issued a decision ("President's Decision") choosing the southern route and selecting the predecessor of a consortium of pipeline companies headed by Foothills Pipe Lines, Ltd. ("Pipeline Companies") to construct and operate the Alaska segment of the project; and

**WHEREAS** the Alaska Gas Producers Pipeline Team ("Producers") has proposed new federal enabling legislation that is currently being debated in the United States Senate; and

**WHEREAS** the Majority Leader of the United States Senate has introduced the

Energy Policy Act of 2002, which contains the Alaska Natural Gas Pipeline Act of 2002 ("Pipeline Act"); and

**WHEREAS** the Pipeline Act is not opposed by the Pipeline Companies, and they desire certain amendments to the ANGTA to modernize it; and

**WHEREAS** ANGTA granted the State of Alaska "authoriz[ation] to ship its royalty gas on the approved transportation system for use within Alaska and . . . to withdraw such gas from the interstate market for use within Alaska," which rights will be impaired if a northern route is followed; and

**WHEREAS** President Carter's decision in support of the southern route explicitly recognized that it could "supply the energy base required for long-term economic development" within Alaska and it could supply natural gas to communities within Alaska along the route as well as other Alaska communities through local distribution lines, and these potential benefits will be lost if a northern route is followed; and

**WHEREAS** the United States Senate has concurred with the United States House of Representatives to oppose the northern route and has expressed its support for the southern route; and

**WHEREAS** the southern route presents the United States with petrochemical extraction opportunities in the United States while the northern route does not; and

**WHEREAS** a northern route pipeline could not easily be expanded to increase the volume of gas when needed; and

**WHEREAS** the southern route provides petrochemical extraction opportunities in the United States and other marketing opportunities for ANS gas, including gas to liquids (GTL) and LNG, to the West Coast or Asia; and

**WHEREAS** it is widely recognized that maximum benefit to Alaskans from the commercialization of ANS natural gas lies in market exposure for that gas, opportunities for in-state use of the natural gas, and for participation by Alaskans in construction, maintenance, and operation of the gas pipeline transportation project, and the recovery of revenue by the state from the development, transport, and sale of ANS gas reserves; and

**WHEREAS** the Alaska State Legislature has expressed a preference for the expedited construction and operation of a natural gas pipeline along a southern route and has authorized funds to conduct various studies regarding a natural gas pipeline, including the study of in-

state natural gas demand, natural gas supply, a natural gas fiscal system, and the effect of natural gas sales on the Prudhoe Bay reservoir; and

**WHEREAS** the Twenty-Second Alaska State Legislature established the Joint Committee on Natural Gas Pipelines ("Joint Committee") to take whatever action may be appropriate to ensure that the best interests of the state are protected; and

**WHEREAS** it is vital for the continued exploration and development of natural gas resources on the ANS that oil and gas companies that do not have an ownership interest in the pipeline ("Explorers") have access to it on fair and reasonable terms and have the ability to seek expansion of the pipeline when economically and technically feasible; and the Joint Committee adopted recommendations supporting enactment of these provisions in federal law; and

**WHEREAS** it is vital for the economic development of Alaska that Alaskans and Alaska businesses have access to gas from the pipeline on a fair and reasonable basis, and that the Regulatory Commission of Alaska participate with the Federal Energy Regulatory Commission to develop methods to provide for such access; and the Joint Committee adopted recommendations supporting enactment of these provisions in federal law; and

**WHEREAS** the Joint Committee has issued various recommendations requesting that Congress reaffirm the validity of ANGTA and modernize it; and

**WHEREAS** natural gas prices in the lower 48 states periodically fluctuate below those required to adequately cover investment; and

**WHEREAS** governmental involvement, including tax incentives, is essential and quite common on major projects to enable private enterprises to undertake the risks;

**BE IT RESOLVED** that the Alaska State Legislature strongly urges the President of the United States, the United States Congress, and appropriate federal officials to actively support the expeditious construction and operation of a natural gas pipeline through Alaska along a southern route; and be it

**FURTHER RESOLVED** that the Alaska State Legislature strongly urges passage during the first half of 2002 of the Alaska Gas Producers Pipeline Team's federal enabling legislation, so long as it contains a provision similar to that in H.R. 4 banning the over-the-top route and the following amendments:

- (1) provisions for Alaskans and Alaska businesses that ensure they have

access to the pipeline for in-state consumption and value-added manufacture on a fair and reasonable basis and that the Regulatory Commission of Alaska is part of the process in determining that access;

(2) provisions for access to the pipeline by Explorers on a fair and reasonable basis, including a proper open season with fair and reasonable tariffs, and that provide that they and the State have the ability to obtain expansion of the pipeline if economically and technologically feasible;

(3) provisions for the reaffirmation of the validity of the Alaska Natural Gas Transportation Act of 1976 and the modernization of that Act as necessary;

(4) provisions for federal financial incentives, including accelerated depreciation and an income tax credit that is designed to provide mitigation of long-term natural gas price risks and the risks associated with funding the large capital costs of the project; the amount of any tax credit should be limited in operation to periods when natural gas prices are extremely low and recovered when natural gas prices are high; and

(5) specific provisions declaring that the content of amendments (1) - (4) is not intended to exclude supply of Alaska North Slope natural gas to markets in the form of LNG or GTL.

**COPIES** of this resolution shall be sent to the Honorable George W. Bush, President of the United States; the Honorable Richard B. Cheney, Vice-President of the United States and President of the U.S. Senate; the Honorable J. Dennis Hastert, Speaker of the U.S. House of Representatives; the Honorable Tom Daschle, Majority Leader of the U.S. Senate; the Honorable Trent Lott, Minority Leader of the U.S. Senate; the Honorable Colin Powell, United States Secretary of State; the Honorable Gale Norton, United States Secretary of the Interior; the Honorable Don Evans, United States Secretary of Commerce; the Honorable Spencer Abraham, United States Secretary of Energy; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.