

CS FOR HOUSE JOINT RESOLUTION NO. 44(O&G)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered: 3/6/02
Referred: Resources

Sponsor(s): HOUSE SPECIAL COMMITTEE ON OIL AND GAS BY REQUEST OF THE JOINT COMMITTEE ON NATURAL GAS PIPELINES

A RESOLUTION

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

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

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

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

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

15 **WHEREAS** the near record drilling in the last two years in the lower 48 failed to

1 deliver any significant supply response and many experts are questioning whether other
2 United States frontier areas like the deepwater Gulf of Mexico will be able to deliver material
3 new gas supplies and, therefore, more imports may be required than previously thought; and

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

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

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

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

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

20 **WHEREAS**, in 1976, Congress passed the Alaska Natural Gas Transportation Act of
21 1976 (ANGTA) authorizing the President to select a route to transport natural gas from ANS
22 to the lower 48 and providing procedures to expedite the construction and operation of the
23 selected route; and

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

29 **WHEREAS** the Alaska Gas Producers Pipeline Team ("Producers") has proposed
30 new federal enabling legislation that they believe will expedite the construction and operation
31 of a natural gas pipeline from the ANS to the lower 48, including the possibility of a northern

1 route; and

2 **WHEREAS** the Majority Leader of the United States Senate has introduced S. 1766,
3 which contains the Alaska Natural Gas Pipeline Act of 2002 ("Pipeline Act"), similar to the
4 Producers' enabling legislation and supported by the Producers; and

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

7 **WHEREAS** ANGTA granted the State of Alaska "authoriz[ation] to ship its royalty
8 gas on the approved transportation system for use within Alaska and . . . to withdraw such gas
9 from the interstate market for use within Alaska," which rights will be impaired if a northern
10 route is followed and which right is not in S. 1766; and

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

16 **WHEREAS** the northern route will strand other United States gas resources while the
17 southern line will open up opportunities for exploration and development of other United
18 States gas resources on the ANS and in other potentially large Alaska gas basins along the
19 southern route; and

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

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

24 **WHEREAS** the southern route provides other marketing opportunities for ANS gas,
25 including gas to liquids (GTL) and LNG, to the West Coast or Asia, while the northern route
26 does not; and

27 **WHEREAS** those citizens of the United States most affected by development on the
28 ANS, including the North Slope Borough and the Alaska Eskimo whaling captains, oppose
29 the construction and operation of the northern route through the Beaufort Sea; and

30 **WHEREAS** art. VIII, sec. 2, Constitution of the State of Alaska, requires the Alaska
31 State Legislature to provide for the utilization, development, and conservation of all natural

1 resources belonging to the state, including land and waters, for the maximum benefit of its
2 people; and

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

8 **WHEREAS** the northern route offers little to none of these benefits to Alaska; and

9 **WHEREAS** the Alaska State Legislature has expressed a preference for the expedited
10 construction and operation of a natural gas pipeline along a southern route and has authorized
11 funds to conduct various studies regarding a natural gas pipeline, including the study of in-
12 state natural gas demand, natural gas supply, a natural gas fiscal system, and the effect of
13 natural gas sales on the Prudhoe Bay reservoir; and

14 **WHEREAS** the Twenty-Second Alaska State Legislature enacted S.B. 164
15 prohibiting a northern route by prohibiting leases under the Right-of-Way Leasing Act on
16 state land in or adjacent to the Beaufort Sea; and

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

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

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

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

1 enact legislation to ban the northern route pipeline; and

2 **WHEREAS** the Legislature will exercise every reasonable power within its authority
3 to prevent the routing of a North Slope natural gas pipeline that bypasses Alaska; and

4 **WHEREAS** last year the United States House of Representatives passed H.R. 4,
5 banning the northern route through the Beaufort Sea; and

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

8 **WHEREAS** the large volume of gas delivered to the lower 48 states may initially
9 stabilize gas prices at a lower level, bringing financial benefit to the lower 48 economy; and

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

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

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

20 (1) provisions for Alaskans and Alaska businesses that ensure they have
21 access to the pipeline on a fair and reasonable basis and that the Regulatory Commission of
22 Alaska is part of the process in determining that access;

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

27 (3) provisions for the pipeline companies that provide for the reaffirmation of
28 the validity of the Alaska Natural Gas Transportation Act of 1976 and the modernization of
29 that Act as necessary;

30 (4) provisions for federal financial incentives, including accelerated
31 depreciation and an income tax credit that is designed to provide mitigation of long-term

1 natural gas price risks and the risks associated with funding the large capital costs of the
2 project; the amount of any tax credit should be limited in operation to periods when natural
3 gas prices are extremely low and recovered when natural gas prices are high; and

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

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