

**CS FOR HOUSE JOINT RESOLUTION NO. 44(RES) am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

**BY THE HOUSE RESOURCES COMMITTEE**

**Amended: 3/20/02**

**Offered: 3/18/02**

**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 provide any significant gas supply increase 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 studied three different pipeline routes, including a "northern" route, running off  
16 the shore of the Arctic National Wildlife Refuge in the Beaufort Sea to the Mackenzie Delta  
17 and south through Canada to the lower 48; a "southern" route along the Alaska Highway  
18 through Canada to the lower 48; and an "LNG" route adjacent to the Trans Alaska Pipeline  
19 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 is currently being debated in the United States Senate;  
31 and

1           **WHEREAS** the Majority Leader of the United States Senate has introduced the  
 2 Energy Policy Act of 2002, which contains the Alaska Natural Gas Pipeline Act of 2002  
 3 ("Pipeline Act"); and

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

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

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

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

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

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

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

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

30           **WHEREAS** the Alaska State Legislature has expressed a preference for the expedited  
 31 construction and operation of a natural gas pipeline along a southern route and has authorized

1 funds to conduct various studies regarding a natural gas pipeline, including the study of in-  
 2 state natural gas demand, natural gas supply, a natural gas fiscal system, and the effect of  
 3 natural gas sales on the Prudhoe Bay reservoir; and

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

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

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

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

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

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

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

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

30 **FURTHER RESOLVED** that the Alaska State Legislature strongly urges passage  
 31 during the first half of 2002 of the Alaska Gas Producers Pipeline Team's federal enabling

1 legislation, so long as it contains a provision similar to that in H.R. 4 banning the over-the-top  
2 route and the following amendments:

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

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

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

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

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

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