

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Amended: 4/9/02

Offered: 4/4/02

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

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

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

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

4 (2) provisions for access to the pipeline for in-state consumption and value-
5 added manufacture by Explorers on a fair and reasonable basis, including a proper open
6 season with fair and reasonable tariffs, and that provide that they and the State have the ability
7 to obtain expansion of the pipeline if economically and technologically feasible;

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

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

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

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