

HOUSE FINANCE COMMITTEE
THIRD SPECIAL SESSION
November 2, 2015
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CALL TO ORDER

Co-Chair Neuman called the House Finance Committee meeting to order at 4:04 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Barbara Huff, Teamsters Local 959, Juneau; Mark Morris, Self, Juneau; Representative Paul Seaton, Representative Liz Vazquez, Representative Lora Reinbold, Representative Cathy Tilton, Representative Shelley Hughes.

PRESENT VIA TELECONFERENCE

Merrick Pierce, Self, Fairbanks; Bill Warren, Self, Nikiski; Tom Lakosh, Self, Anchorage; Daryl Nelson, Self, Chigiak; Brent Reimers, Self, Wasilla.

SUMMARY

HB 3001 APPROP: LNG PROJECT & FUND/AGDC/SUPP.

HB 3001 was HEARD and HELD in committee for further consideration.

PUBLIC TESTIMONY

Co-Chair Neuman reviewed the agenda for the meeting.

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#hb3001

HOUSE BILL NO. 3001

An Act making supplemental appropriations; making appropriations to capitalize funds; making appropriations to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) in accordance with sec. 12(c), ch. 1, SSSLA 2015; and providing for an effective date.

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^PUBLIC TESTIMONY

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MERRICK PIERCE, SELF, FAIRBANKS (via teleconference), discussed the challenges of the AKLNG project including competition, project costs, and a potentially contentious constitutional change requirement. He also mentioned other significant economic challenges for the project including the spot market LNG price for the current month being about \$8.10 per million British Thermal Unit (BTU). He suggested that on the positive side the state had an administration and a governor that were completely committed to the success of a gasline project. Also, the Japanese market remained keenly interested in Alaska and had a strong desire to replace its nuclear power source since the Fukushima disaster. He added that Japan had an interest in bringing in clean LNG to its country. Alaska was a stable place with conventional gas resources. He urged committee members to give the governor the latitude he was requesting. He reiterated the commitment of the governor. He relayed having visited the markets in Japan in the prior summer and saw the level of interests Japan had in Alaska's gas. The thanked the committee.

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Representative Wilson asked if he was in favor of the committee substitute. Mr. Pierce responded affirmatively.

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BILL WARREN, SELF, NIKISKI (via teleconference), supported HB 3001, the buyout of TransCanada, AGDC, and the 48" pipeline. He commented on the previous legislation including HB 4. He relayed his personal experience with working on the pipeline. He wanted to see the project succeed and felt with the current administration success was possible. He thanked the committee for its time.

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TOM LAKOSH, SELF, ANCHORAGE (via teleconference), opposed HB 3001 referring to the bill as corporate welfare and a bailout of TransCanada. He believed that the action to buy out TransCanada was premature. He was not opposed to a gasline if the proper work was done to maintain oil reservoir pressures and to expand the LNG market. He believed critical technology was needed, a different and more environmentally friendly technology for extraction. He told of technology being developed by Chicago Bridge and Iron. He opined that the use of the company's technology would greatly expand the market for LNG in the Kyoto Protocol countries. He believed it would better compete with renewables. He also thought the state could capture CO2 from power production combustion of methane and reinject it into the state's wells in order to allow for continued extraction of oil. It was clear to him that with LNG below \$8 per million BTU for the foreseeable future the state would not be able to compete with Qatar, Australia, or Malaysia. He furthered that the state needed to expand the market with new technologies that lowered the carbon footprint of the state's LNG. He thought the state could market Alaska LNG as green LNG if it took the proper measures applying different technology. He appreciated the opportunity to testify and reiterated that he thought it was premature to bail out TransCanada until the state found a way to appropriately market its gas. He thanked the committee.

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BARBARA HUFF, Governmental Legislative Affairs Director, TEAMSTERS LOCAL 959, relayed that there were approximately 7 thousand Teamster members around the state. Currently, there were several hundred members working within the oil and gas industry thanks to previous enacted legislation. She discussed the Teamsters continued work and support with its partners in the oil industry since building the gasline. She reported that the Teamsters had been looking forward to an oil line since they finished the gasline. The Teamsters supported the gas pipeline and the Committee Substitute for HB 3001. She saw the bill as an appropriation of money that was needed to further the AKLNG project. The bill provided for a buyout for what seemed to be a dissolution between the state and TransCanada rather than a nasty divorce. She opined that TransCanada had made positive contributions to the project including providing valuable information, direction, and resources. She did not look at the buyout as a corporate handout. She remarked that the bill allowed for the state to begin focusing as a team. She had hopes that from the dialog and debate around HB 3001 the state would be able to work together with industry partners. The Teamsters supported AGDC as the representative of the State of Alaska through pre-FEED phase and into the FEED process. She furthered that AGDC had experience and qualified personnel at the helm of the organization. The Teamsters also believed AGDC provided a better alignment from a voting perspective than TransCanada. The State of Alaska would be one of four partners with an equitable share in the project. She furthered that for every dollar that the State of Alaska spent three partners would spend three additional dollars. If the partners continued to spend money then the money that the legislature would be allocating would be for the better. If in the future the state believed it needed a partner there were mechanisms in statue that would allow such an opportunity, potentially at a cheaper price. The Teamsters supported the bill for all of the reasons she presented. She acknowledged all of the many hours spent on the legislation and suggested focusing on the positive aspects of the project in order to move it forward. She concluded by thanking the committee for its time.

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MARK MORRIS, SELF, JUNEAU, spoke in support of HB 3001. He relayed his personal experience. He opined that the state should let the producers do what they do best. He suggested

that legislators think about the project from a long-term perspective in the evaluation process. He was looking to the future and encouraged the legislature to move forward with the AKLNG project.

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DARYL NELSON, SELF, CHIGIAK (via teleconference), spoke in favor of HB 3001. He indicated he did not favor the state being in partnership with TransCanada. He encouraged members to support HB 3001 and expressed his appreciation to committee members.

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AT EASE

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RECONVENED

BRENT REIMERS, SELF, WASILLA (via teleconference), spoke in opposition of HB 3001 and the gas pipeline. Based on the current price of natural gas he did not view the project as viable. He wanted to see more diversification and more spending cuts. He mentioned BP's previous attempt and Conoco Phillips' previous attempt to develop their own gasline project without success. He thanked the committee.

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ADJOURNMENT

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The meeting was adjourned at 4:48 p.m.