

HCR

8



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

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HCR 8 SUMMARY

TO: Members of House Resources Committee
FROM: Rep. Dick Shultz / Co-Chairman
DATE: March 20, 1985
RE: House Concurrent Resolution #8

The purpose of this resolution is twofold.

The first and most obvious purpose is to encourage the Governor to pursue a more active course in bringing natural gas to Fairbanks and the Interior with an eye toward eventual completion of a line to tidewater.

The second purpose is to stimulate members of the Legislature and the Governor to consider a new approach in developing our non-renewable resources, and bringing the benefits to Alaskan residents on a more direct basis.

It seems that whenever we, in the legislature, discuss the highest and best use of our gas reserves the idea of getting the highest price possible dominates the conversation. That being the goal, Pacific Rim markets and the various "economic windows of opportunity" are considered to be the key elements in developing our gas reserves. The one "Catch 22" that continues to impede our progress is the time frame and costs involved in building the pipeline, and risks involved in committing the necessary money to start a project that if delayed may miss a "market window" critical to the payback.

I encourage members to take the time to review the Booze, Allen, Hamilton 1983 Summary Report on Gasline Alternatives. Within that document there are possibilities for building a gas line that may have been overlooked. I believe that it will become clear after careful review that it is not absolutely necessary to build a pipeline from the North Slope to tidewater initially.

We need to also consider the multiple benefits of using our gas in state to the greatest degree possible and factor all the socio-economic effects into a complete model before deciding what constitutes highest and best use. I

base that suggestion on the premise that the number of dollars coming into state government on a per capita basis greatly exceeds the returns in benefits received by the average Alaskan resident via the present system of wealth dispersal. Consider for instance that gas to heat ones home may be more beneficial to an interior resident than a new reservoir in devils canyon on which to sail his dinghy.

This new approach may not be a popular with those in government who prefer to exercise control of the distribution of our state's resources wealth. I would ask that we consider the arguement that residents of the state could more efficiently benefit from gas heat in their homes, from low cost long term electrical generation for their communities, and hundreds of permanent jobs than from dollars in the general fund. It may simply be a matter of where we want to stimulate growth as a result of gasline development; in government as it absorbs dollars in an effort to provide benefits or within our Alaskan communities.

Gas to our local communities would provide stimulation to the private sector as low cost energy is distributed from a gas fired electrical generation source in Fairbanks along the Intertie and through other future power networks to outlying areas. The Booze, Allen, Hamilton report also suggests the production of methanol in the Fairbanks area with transportation to tide water being provided via the Alaska Railroad as a source of additional economic stimulation.

As markets develop on the Pacific Rim, demands in the short term could possibly be handled by rail transported gas while the rest of the gas line to tidewater is completed. Another advantage is that the critical problem of construction time vs. the proper Pacific Rim "economic window" is easier to solve with half the gasline already constructed. The economic logic suggested by Susitna proponents to build half of that project can be applied to an intra-state pipeline as well.

There is one critical question, which in light of the economic projections we are receiving should not be ignored. Will we as a state be able to afford the support necessary for a gasline in the future if we continue to commit our revenue to mega-energy projects such as Susitna? The other key question is what will the Susitna project provide that the gasline wouldn't also provide? The fact is that the gasline spin offs in terms of permanent jobs and a stable growing interior economy far exceeds those available as a result of Susitna. Finally we need not be reminded that it appears the Federal Government may be reluctant to provide the necessary FERC licensing to eventually build the Susitna project.

Prioritizing our resource development dollars will be the most difficult task that we and future legislators face over the next few decades. I believe that diversified economic projects may be found to be in many instances cost prohibitive when the plan dictates that resources be converted to dollars which in turn are filtered through the government digestive system. The bottom line is that what goes in rarely resembles what comes out in either quantity or quality.

Lets take the time to look at a wider variety of solutions as we make our resource development decisions on behalf of our constituents. I have faith

in Alaska's economic potential, not because we have a multitude of raw resources to develop, but because we have people with ambition, pride, and skill who could give government a lesson when it comes to making things happen. It may, heaven forbid, be necessary to change state policy on some of these issues to give our people the chance to more directly benefit from our resources, and if that's what it takes, then let's get after it.

I urge your support on this resolution and offer it as a opportunity to explore a new direction as we consider policy decisions affecting development of our resources for the maximum benefit of our citizens.