

SCOMM

108:2



Official Business
MEMBER
Natural Resources
Committee

Alaska State Legislature

Chair, Legislative Council
Chair, World Trade
And
State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

MEMORANDUM

TO: Members of the House Committee on World Trade & State/Federal Relations

FROM: Representative Ramona Barnes, Chair
House Committee on World Trade & State/Federal Relations

DATE: February 24, 1997

SUBJECT: **MEETING NOTICE**

I have scheduled a meeting for 1 p.m. to 3 p.m. Wednesday, March 5th in the House Resources Committee Room (#124) to receive a briefing from Debbie Sedwick of the Division of Trade and Development.

For additional information, please call Mark #6585.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF TRADE AND DEVELOPMENT

TONY KNOWLES, GOVERNOR

□ P.O. BOX 110804
JUNEAU, AK 99811-0804
PHONE: (907) 465-2017
FAX: (907) 465-3767
TDD: (907) 465-5437

□ 3601 C STREET, SUITE 700
ANCHORAGE, AK 99503
PHONE: (907) 269-8110
FAX: (907) 269-8125

□ 751 OLD RICHARDSON HWY., #205
FAIRBANKS, AK 99701
PHONE: (907) 452-7484
FAX: (907) 456-8173

January 17, 1997

The Honorable Ramona Barnes
Chair, World Trade Committee
State Capital, Room 403
Juneau, AK 99801-1182

8115

Dear Representative Barnes:

In March, we will be asking our trade representatives from Japan, Korea and Taiwan to come to Alaska. They will be spending time meeting with Alaska businesses and updating them on significant trade and tourism opportunities in each of their markets.

✓✓
To maximize their time here, I would be very interested in having them brief you, members of your committee and other interested legislators on their international trade activities. Such a briefing will help give our overseas staff an opportunity to share directly with you their impressions of Alaska's potential abroad, as well as provide an important forum for them to learn about legislative priorities and initiatives.

Before we fix dates for their visit, I would like to see if you are interested in arranging such a briefing. (I am sending a similar invitation to Representative Cowdery.) I will call your office in a few days to speak with you more on this topic. Please accept my best wishes for a successful and productive legislative session. As always, if I or my staff can be of any assistance, please don't hesitate to contact me at 907-269-8110.

Sincerely,

Deborah B. Sedwick

Deborah B. Sedwick
Assistant Commissioner

P.S. -- In our continuing effort to keep you apprised of trade issues, I'm attaching a list of upcoming trade activities involving our Division. Please let us know if we can provide additional information on any of these activities.

cc: Rep. John Cowdery, Chair, International Trade and Tourism
David Ramseur, Deputy Chief of Staff, Office of the Governor
Comm. William Hensley, DCED



Upcoming Trade Activities: Highlights January - June, 1997

Below is a look at international trade activities we expect to participate in during the next six months.

January:

- * Sakhalin Airport Delegation to visit Alaska; meet potential contractors. DTD/Anchorage assisting
- * Alyeska Alloys mission to Japan, Korea and Taiwan; DTD offices to assist

February:

- * Division establishes formal trade presence on Sakhalin Island (tentative)
- * Issue RFP for Alaskan companies to conduct oil spill demonstration project in Sakhalin; with DEC
- * Japan Office produces Alaska Products Catalog, Alaska Seafood Guide
- * Division co-staffs ASMI trade mission to Taiwan
- * Pacific Rim Construction, Oil and Mining Expo; Sakhalin Governor Farkhutdinov invited

March:

- * FoodEx Trade Show in Japan; three to four Alaska companies to participate. Tokyo Office staffs
- * Overseas staff to Alaska, focusing time on:
 - Possible presentation to legislature on overseas activities
 - Seminar on seafood opportunities in Taiwan/China
 - Meetings with oil-spill technology companies joining trade mission to Korea in May
 - Meetings with industry joining trade mission to Taiwan in April
 - Possible industry/legislative briefings on LNG markets
- * Seminar on seafood opportunities in Taiwan, Hong Kong and PRC; with DTD staff, ACIB, USDA, ASMI
- * Possible gubernatorial mission to Sakhalin Island (late February or March)

April:

- * Korean Maritime Affairs and Fisheries Minister Shin invited to visit Alaska; DTD staffs (tentative)
- * Trade Mission to Taiwan; likely focus on energy, environmental services, other; DTD staffs (tentative)
- * Anchorage Chamber of Commerce conference: "Working with the State"

May:

- * Oil Spill Technologies Mission to Korea; tabletop demos/seminar on Alaska expertise (tentative)
- * ISCORD Conference in Anchorage May 4-10; DTD on steering committee
- * Pac Rim Coal Conference May 10-15; DTD arranging industry tours
- * Exporter of the Year banquet, May 22; DTD handling nominees and selection of winners

June:

- * US-AEP Mission to Alaska from Korea; focus on oil spill technologies (tentative)
- * KUSEC Trade Mission to Alaska (tentative)
- * Taiwanese seafood group to visit Alaska/Seattle; USDA-arranged (tentative)

Alaska

Trade and Development

TIP SHEET

RECEIVED

MAR 22 1997

Ans'd.....

E X T R A

OVERSEAS STAFF TO VISIT ALASKA

Meet with Legislative Committees, Government, Private Sector

Deborah Sedwick, Assistant Commissioner for Tourism, Trade and Development announced that overseas staff from Alaska's state offices in Japan and Korea, and the state's contractor in Taiwan, will be visiting Alaska during the week of March 24-28. During that time they will make presentations at legislative hearings, confer with officials in the Departments of Natural Resources, Revenue and Environmental Conservation, and meet with Alaskans from the private sector.

Seafood seminar: "Exploring the Taiwanese and Chinese Seafood Markets." Thursday afternoon, March 27, Ida Yao, Alaska Trade Representative in Taipei, will speak to the seafood industry at a seminar on market opportunities in Taiwan and China. The seminar, co-sponsored by the Division of Trade and Development and the World Trade Center Alaska, will be available to Alaskans statewide via audio conference, and will also include presentations by the Alaska Center for International Business and the Alaska Seafood Marketing Institute. Attached is the flyer for the seminar.

To register for the seminar, contact the World Trade Center Alaska, telephone 907-278-7233; fax 907-278-2982. Let them know whether you will attend in person at the Sheraton Boardroom 311, or via teleconference. The cost is \$25 for WTC members and \$35 for non-members.

Alaska Companies: Individual appointments available with overseas staff. Friday, March 28 is set aside for Alaskans to meet with these overseas staff:

- Mr. K.S. Yang, Trade Representative, Alaska State Office Seoul, Korea
- Ms. Ida Yao, Trade Representative in Taiwan
- Mr. Kojiro Abe, State Representative, State of Alaska Japan Office
- Ms. Mariko Kuroda, Trade Specialist, State of Alaska Japan Office

Alaskans may schedule appointments by calling the Division of Trade and Development, 907-269-8110. Although these staff will be in Anchorage at the Frontier Building, telephone meetings may also be scheduled, for Alaskans outside of Anchorage. In addition, overseas staff members speak Friday at the Alaska World Affairs Council luncheon, from noon to 1:00 pm, at the Captain Cook Hotel. Topic: Alaska's Role in Asia: Views from our Trade Reps in Japan, Korea and Taiwan.

BR w/Rep.
Barne's
Cowdery's
office to
see if
they have
not
scheduled
for us
to listen
to this
teleconference
I want to
do it =
let me know
what they set up.
Thanks.

WORLD TRADE CENTER ALASKA**FAK INVITATION****421 West First Avenue, Suite 300, Anchorage, Alaska 99501 * Tel: (907) 278-7233 Fax: (907) 278-2982****"Exploring the Taiwanese and Chinese Seafood Markets"****Ida Yao, State of Alaska Trade Representative in Taiwan****Duff Mitchell, Alaska Dried Foods****Bob Waldrop, NorQuest Seafoods****Eric Downey, Alaska Center for International Business****Linda Delarosa, Alaska Seafood Marketing Institute**

This informative briefing introduces Alaskan seafood exporters to the business of the opportunities available for Alaska seafood in Taiwan and China, including seafood markets, will be discussed. Participants will hear updates and impressions from Taiwan and China, as well as receive listings of Taiwanese and Chinese trade companies.

DATE: Thursday, March 27, 1997**TIME: 3:00 p.m. - 5:00 p.m.****LOCATION: Available Statewide by Audio-Conference
In Anchorage - Sheraton Anchorage Hotel, Board Room 311****COST: \$25 World Trade Center Alaska members; \$35 nonmembers****Sponsored by:****Alaska Division of Trade & Development, DCEID
World Trade Center Alaska****PROGRAM REGISTRATION FORM**

**Please make reservations at \$25/\$35 per person for Exploring the Taiwanese and Chinese Seafood Markets, Thursday, March 27, 1997.
You may fax this application to 907-278-2982.**

☐ I would like to attend by audio-conference ☐ I will attend in person at the Sheraton Anchorage Hotel

Name: _____

Company: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

A division of the University of Alaska, Anchorage

FAX TRANSMISSION

DIVISION OF TRADE AND DEVELOPMENT

3601 C STREET, SUITE 700
ANCHORAGE, ALASKA 99503-5934
907-269-8110
FAX: 907-269-8125

To: Members of the
Alaska State Legislature

Date: March 21, 1997

From: Deborah B. Sedwick
Assistant Commissioner, DCED

Pages: 3, including this cover sheet

Subject: Information for your constituents

COMMENTS:

I am pleased to announce to you that four Division staff members from the State of Alaska overseas offices will be in Alaska next week, making presentations before legislative committees, meeting with key industry and trade groups and conducting a seminar for the seafood industry. There are also opportunities for meetings between private sector Alaskans and any or all of these overseas staff. I would like to let you know about these opportunities so you may inform your constituents about them.

Enclosed are two information sheets for your interested constituents. The first is information about the seafood seminar Thursday, March 27. This seminar, co-sponsored by the Division of Trade and Development and the World Trade Center Alaska, will be available to Alaskans statewide via audio conference. Registration is through the World Trade Center, and that fax number is on the registration form.

Second is a special edition of the DTD Tip Sheet, which talks about the seminar and also informs readers of the opportunity for individual businesses to meet with our trade reps on Friday, March 28. These appointments may be scheduled by calling the Division of Trade and Development, 907-269-8110. Although the trade reps will be in Anchorage, your constituents outside of Anchorage may conduct their meetings via phone.

Thank you for the opportunity to help us get the word out.



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REPRESENTATIVE
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District 22

House Special Committee

on

WORLD TRADE & STATE/FEDERAL RELATIONS

AGENDA

MARCH 25, 1997

4 p.m.

Butrovich Room (Cap. #205)

I Call To Order

II Roll Call

III New Business

Briefing from Division of Trade & Development
(trade related overview)

Presentation: Commissioner Wilson Condon -
Introduction/brief review of MOU signing

Presentation: Briefings by Overseas Trade Offices in Japan,
Korea, and Taiwan

IV Adjournment

Anchorage
P.O. Box 100382
Anchorage, AK 99510
907/258-4183

State Capitol
Anchorage, AK 99504-1182
907/465-1408

ENERGY PRESENTATION

Tuesday, March 25, 1997

Korea

Good morning --- I am K.S. Yang-- the Alaska State Trade Representative in Korea. I am pleased to be here today to talk to you about the Korea energy market.

The notion of Korea as a struggling, third world developing country are gone. Korea was the 11th largest market in the world in 1995 and is expected to be among the top 7 by 2010. Korea had a 1996 growth rate of 6.8 percent and slightly slower growth of 6.0 percent is expected in 1997.

Korea has long been Alaska's second largest trading partner with annual exports in the area of \$230 million. Coal, timber, seafood and minerals all go to this market -- which has been relatively stable. This picture changed dramatically last year -- 1996 -- with the purchase of North Slope crude by L.G. Caltex of the Lucky Goldstar Group. L.G. Caltex has agreed to a long-term -- 20 years -- contract to purchase 30,000 barrels per day of North Slope crude at an annual cost of some \$241 million dollars. Hyundai Oil Refinery Co., Ltd. also purchased 800,000 barrels last year and plans to increase that amount to 2.4 million barrels in 1997. These are some of the energy players Alaska can expect to deal with in the future -- players who doubled Alaska's annual exports to Korea with just two deals.

Since 45,000 tons of LNG was first supplied to the Pyongtaek thermoelectric power plant in late 1986, Korea's LNG consumption has been increased steadily and reached 7.259 million tons during January through October of 1996 -- a 35.0% increase over the same period in 1995.

The increase in LNG consumption is due to the intensified movement of environmental regulations at home and abroad. According to the long-term LNG demand and supply plan released by Korea Gas Corporation recently, Korea's LNG demand is expected to reach ~~18.3~~^{18.23} million tons in 2000 and 29.316 million tons in 2010.

To prepare for the expansion of the nationwide demand, Korea has not only increased LNG imports but also diversified its import sources. Ever since the first LNG import was made in October 1986, Korea has imported LNG from Indonesia, Malaysia, Brunei and Australia. Starting in 1999, Korea is going to import LNG from Qatar. Furthermore, Korea has concerns in the development of overseas gas fields, especially in Russia.

Local consumption of LNG has been steadily increasing and reached 7.117 million tons in 1995, 21.4% increase in comparison to 1994. In 1996 alone (January through October), Korea's LNG consumption 7.259 million tons, showing a 35.0% increase over the previous year.

Imported LNG has been utilized as power generation fuel and city gas. LNG consumption for electricity, which accounts for more than half of the current LNG consumption has shown a rising trend without any fluctuation. City gas consumption has greatly increased, approaching 45.6% of all LNG consumption from January through October 1996 from just 4.6% in 1987.

Total LNG consumption in the first three quarters of 1996 was 7.259 million tons -- 3,812 tons for power generation and 3,307 tons as an input for city gas manufacturing. Consumption for power generation and city gas in 1996 was up 30.8% and 38.8 % respectively, compared with the same period of 1995.

According to the revised long-term LNG demand and supply forecast by Korea Gas Corporation, Korea's demand for LNG is likely to reach 18.223 million tons in 2000 and 29.316 million tons in 2010.

Korea settled on a policy towards diversifying its energy sources and emphasizing the use of clean-burning, environmentally safe fuels in the early 80s. In 1981, an LNG project was approved by the 11th Conference of Economy-Related Ministers and Korea Gas Corporation, the sole LNG importer in Korea, was established in 1983. The first LNG import was made from Indonesia in 1986

To meet the ever-increasing demand for LNG, Korea has increased the import volume and diversified the import sources by purchasing LNG from Malaysia, Brunei, Australia and Qatar to secure a stable energy supply.

Meanwhile, LNG production capacity of Asia-Pacific region is expected to be sharply expanded. The production capacity of Indonesia, Malaysia, Brunei, Australia and Alaska is likely to be up to 80.7 million ton in 2003. In addition, considering that LNG production capacity of Middle East would be increased to 29.4 million tons in 2003, total LNG supply by Asia-Pacific and Middle East regions is estimated to reach 110.1 million tons in early 2000's. Therefore, there is a high chance that LNG market in the Asia-Pacific would be converted to buyer's market in early 2000's, so that fierce competition among suppliers is expected.

There are many LNG projects in various stage of development around the world, beside those projects listed above. Thus, LNG is currently very much a buyer's market and Korea is one of dominant consumers of LNG. Under these circumstances, a favorable long-term contract with Korea is crucial to advance into Korean market.

Korea Gas Corporation has been the sole LNG importer in Korea although any Korean company is allowed to buy LNG subject to approval from the Korean Ministry of Trade, Industry and Resources. The largest LNG end-users in Korea are KEPCO (Korea Electric Power Corporation) and POSCO (Pohang Iron & Steel Co., Ltd.). Korea Gas Corporation is also the exclusive wholesaler of LNG to the local market and distributes LNG to 33 retail city gas companies.

It is worth noting that the growth rate of liquefied natural gas was very high due to Korea's need for economic development and a clean environment. Korea is currently a buyer's market -- we recommend that Alaska form a strong united front to pursue its North Slope natural gas project. Korean participants are likely not only to purchase LNG, but also willingly participate in hard asset financing of the pipeline construction and LNG tankers. An example of a recent Korean deal is seen in Korea Gas Corporation's participation in Ohman's LNG project. KGC has 5% ownership of the

project and signed a 25-year-contract for the purchase of 1.4 million tons of LNG annually beginning in early 2000.

Korea is also a growing market for crude oil -- as I mentioned -- purchases of North Slope oil last year doubled Alaska's exports to Korea, which is fully dependent upon imports from abroad for its entire demand for crude oil. Crude oil is being imported by five oil refiners: Yukong Limited, LG-Caltex Oil Refinery Co., Ltd., Hanwha Energy Co., Ltd., Ssangyong Oil Refining Co., Ltd., and Hyundai Refinery Co., Ltd. in most cases -- and if it is deemed necessary -- the Korea Petroleum Development Corporation would import crude oil for stockpiling purposes.

Korea's crude oil stood at 11 million barrels in 1965, and crude oil imports in 1995 reached 625 million barrels, up 57 times from the 1965 figure -- due largely to a whopping expansion in domestic demand. Taking in mind the first and second world oil crises, the government has adopted a top policy directive designed to ensure a stable supply of crude oil.

Under the policy directive, the government has been exerting strong effort to maintain the optimum level in crude oil imports -- the ratio of crude oil imports under a long-term contract basis to crude oil imports on a spot deal -- and to diversify import sources of crude oil. Recently, however, despite the government's policy of diversifying crude oil import sources with the intention of avoiding over concentrated dependence upon the Middle East, Korea's import dependency on the Middle East was still high at 77.9% in 1995.

Korea imported 625 million barrels of crude oil from 23 countries in 1995, and the 1995 crude oil import amounts reached over US 10 billion, thus accounting for 8.0 percent of the nation's overall merchandise imports during the year. Meanwhile, Korea began importing self-developed crude oil from abroad in 1988 through participation in equity ownership for overseas oil field development projects. The 1995 imports of self-developed crude oil came to 3 million barrels -- excluding crude oil sold on the spot -- or 0.5 percent of the 1995 overall crude imports.

Korea will continue to grow in the expanding energy trade of the Pacific Rim. The government plays an important role in guiding this growth. Development of the North Slope natural gas project -- with Korea as a player -- will depend on a well-defined project and well-informed participants. Our office can provide necessary market intelligence -- two-way information between potential buyers and Alaska sellers of all forms of energy resources.

Thank you for this opportunity and I would be happy to answer your questions.

Energy Presentation on Japanese Market

Good morning (afternoon). It is my pleasure to talk about the energy market in Japan for Alaska's energy resources. My name is Kojiro Abe and I am the State of Alaska Trade Representative in Tokyo. I am accompanied today by Mariko Kuroda, the energy specialist on our Japan staff.

To begin, I will give you a brief overview of the history of energy use in Japan.

Japan is the world's fourth largest energy consuming country, following the USA, Russia and China.

In FY 1994, Japan's total energy supply was 577 million kiloliters of crude oil equivalent. Japan has few indigenous resources, and its dependence on imported energy exceeds 80%, the highest rate among major industrialized countries.

The oil shocks in 1973 and 1978 had a devastating impact on Japan's energy supplies and inflicted considerable damage on Japan's economy. The Japanese government and private sectors were forced to recognize the vital need for national energy security.

Recent guidelines issued by the Japanese government outline three principles of national energy policy for the 1990's:

1. **Energy Security - secure a stable supply of energy**
2. **Economic efficiency**
3. **Environmental issues**

Allow me to explain the current status of each of Japan's main energy supplies:

FY 1994, oil occupied 57.4% of Japan's total primary energy supply and was the largest part of Japan's total energy mix. In 1993, imported oil accounted for 99.7% of Japan's oil supply. During the same time period 76.4% of Japan's imported oil came from the Middle East.

In FY 1994, coal demand in Japan amounted to 126 million metric tons. Coal makes up 16.4% of Japan's primary energy supply and the country's second largest energy component. Japan is the largest coal importing country in the world.

Due in large part to its lack of natural resources, Japan considers nuclear energy as one of its most promising oil-alternative energy. During FY 1995, nuclear power supplied 12.0% of Japan's energy needs -- or third largest energy supplier.

In Japan, natural gas use was minimal through the early 1970's, but grew rapidly during the latter part of the decade. In FY 1994, total consumption of natural gas amounted to 59.3 billion m3, about 11% of Japan's total energy supply -- the nation's fourth largest energy product.

Natural gas is expected to play an increasingly important role as a clean burning fuel and one that can reduce Japan's dependence on imported oil.

Most of Japan's natural gas supply comes from imports; in FY 1994, this amounted to 42.4 million tons -- 74.5% was imported from ASEAN countries. To ensure a stable supply of LNG, Japan has been endeavoring to diversify its import sources. 44% of total imports of LNG has come from Indonesia since the middle of 1970's.

Next, let me describe the major players in Japan's LNG industry; they can be divided into three distinct groups: end-user utilities, trading companies, and the government.

The end-users, electric power companies and gas companies, are major players as buyers of LNG. They purchase LNG, but are not willing to invest in energy projects. This is due to the social responsibility held by the utility companies for their customers – utilities are traditionally very conservation^{HVC} with their investment dollars.

Japanese electric power companies and gas companies make their own long term energy outlook by following Japanese government energy policy and revise^{11/19} it every year. Following their independent studies, utilities choose competitively priced LNG supplies timed to match their needs.

The second type of major energy players are the trading companies. They have been investors in overseas LNG development projects and are very interested in promising future LNG prospects.

The third prong in securing Japan's energy supplies is the government.

In order to secure a stable supply of natural gas, the Japanese government has been trying to improve overseas' investment conditions for Japanese companies. The Japan National Oil Corporation Law was revised in June 1994 for JNOC to be able to provide capital and loan guarantees toward Japanese companies to develop gas fields and the liquification of natural gas.

Finally, I will talk about the outlook for future Japanese energy (LNG) demand.

LNG's future in Japan looks positive for three main reasons: 1) it has the potential to reduce Japan's dependence on imported oil; 2) it can be used to replace delayed nuclear

power supplies; and 3) it is a clean-burning fuel that can be used to reverse the effects of CO2 emissions on the Japanese environment.

According to Japanese end-users, Japan's LNG supply is secured to the year 2005 by current long-term contracts. Some of the contracts are expected to be extended after 2005. Due to demand increases in Japan, however, additional supplies will need to be located to fill the extended contracts and to meet new energy requirements. The Ministry of International Trade & Industry now predicts that Japan's LNG needs in the year 2010 will be 60 million metric tons; Japanese industry estimates that figure to be 70-80 million metric tons.

Given these predictions, there are a number of advantages for Alaska North Slope LNG in Japan:

- ONE: Alaska's operating gas reserve has been confirmed.
- TWO: The distance from Alaska to Japan is very short - only about one-half of the distance from Japan to the Middle East.
- THREE: There already exists a good relationship between Alaska and Japan. We have a track record: Tokyo Electric Power and Tokyo Gas have long purchased Alaska LNG from the Cook Inlet. Since 1969, these utilities have worked through Mitsubishi trading company to secure more than 1 million metric tons per year. **There have been no accidents, no problems, no delays in the delivery of Alaska LNG.** Alaska is considered to be an extremely reliable supplier.
- FOUR: Japanese government and utilities want to diversify their LNG sources. Most LNG is imported from Indonesia and the Middle East .

- FIVE: North Slope producers -- British Petroleum, ARCO and Exxon are known reliable suppliers.
- SIX: Japanese trading companies have shown strong interest in Alaska North Slope LNG and are carefully watching its progress.
- SEVEN: Demand for LNC is increasing due to CO2 emission issues and accidents in recent years at Japan's nuclear power plants.

There are, however, some fundamental concerns of Japanese government and industry with regard to Alaska's North Slope gas project:

- ONE: Purchasing decisions are long-term. As mentioned earlier, Japanese end-users make long-term decisions by studying demand and supply carefully, they are conservative in nature and take a considerable amount of time to reach a final decision.
- TWO: Commercial business negotiations are important. It is critical that the Alaska North Slope gas project be negotiated on a commercial basis. Too much government involvement or the use of political pressure has the potential of making end-users uncomfortable, may discourage them and may cause them to reduce the size of their participation. It must be noted that Japanese government does not have the authority to force end-users to buy any specific LNG.
- THREE: It is important for Alaska to speak with one voice -- end-users, trading companies and government officials are often confused by the number of options to develop North Slope gas. Between the

producers, the Alaska government and the pipeline project developers, the message is not always the same. A coordinated front on the part of Alaska will be important to any future Japanese participation in the project.

Demand for LNG by the Japanese market looks promising for any new Pacific Rim project. However, because of existing Pacific Rim competition, it is recommended that the Alaska side offer a coordinated proposal with a competitive price.

Thank you very much for allowing us time today to discuss the potential for Alaska's North Slope natural gas and we would be happy to answer any questions you might have.

ENERGY PRESENTATION

Tuesday, March 25, 1997

Taiwan

Good morning (afternoon). Thank you for the opportunity to speak with you today about the emerging energy market in Taiwan. My name is IDA YAO and I am the State of Alaska representative for Taiwan.

Today I will give you an overview of Taiwan's energy picture and the players involved in energy production and sales. Please understand that I have only been a contractor for Alaska for one year and I will have to research any highly technical questions you have.

In Taiwan, there are two major energy users: Taipower and China Petroleum Corporation. Both are currently government-owned. For the time-being, only China Petroleum Corporation -- also known as CPC -- has the government okay to import petroleum products. This situation is going to be changed very soon -- within the next two years, Taipower and other private-sector energy companies will be granted the right to import petroleum products.

China Petroleum Corporation is now government-held and in the process of becoming a publicly held corporation. As part of the Taiwan government's policy to achieve full liberalization, CPC is being forced to sell 51% of its stock to the public by the turn of the century. CPC is currently undergoing corporate reorganization to both become a public company and increase its global competitive edge. Its petroleum topping capacity is 720,000 barrels per day and CPC is working to cut production costs and improve efficiency. CPC sets up different business units and various task teams according to functional requirements. It also maintains liaison offices in Saudi Arabia, Kuwait and Singapore to handle crude oil purchases and joint venture projects. With annual sales of \$13 billion US in 1995, almost equivalent to 5% of the country's total GNP, it is not only ranked the

biggest enterprise in Taiwan, but also one of the 500 biggest around the globe. It is also increasing the storage and transportation capacity in northern Taiwan, expanding LNG treating facilities, and upgrading product quality to acquire international quality certificates. A third refinery will be constructed jointly with private investors in Kaohsiung. Growing cooperation with mainland China is expected to lead to more global marketing of petroleum products and additional investments in the PRC.

With regard to LNG specifically, Taiwan possesses few natural resources and energy diversification has long been stressed in the country's energy policy to ensure stable and long-term supply. Natural gas, with its high efficiency and low pollution, has been targeted as a real option. Since most of Taiwan's natural gas reserves have been depleted, the government has decided to import LNG from abroad to help improve natural gas supplies. CPC began construction of an LNG receiving terminal project at Yungan, Kaohsiung, in 1984. This project carried a total investment of \$1.2 billion US with an annual handling capacity of 1.5 million tons. The terminal began operations in March of 1990 under a 20 year supply contract with Pertamina, the national petroleum company of Indonesia.

Since beginning its work with LNG, CPC has found the demand for this clean and efficient fuel is expanding very fast. Taiwan's economy is booming and the citizens have growing concerns about the environment. CPC began to expand its Yungan project the same year the terminal opened. An additional \$700 million US was invested to expand the receiving and storage facilities and the long distance distribution trunkline. This expansion was completed at the end of 1996.

Imported LNG to ^{the} Yungan project will now total 4.5 million tons per year. Half of the volume will be supplied by the expanded contracted ~~ed~~ with Pertamina, while Petronas, Malaysia is to supply the other half.

Taipower is the other major energy user in Taiwan. 94% of Taipower stock is currently government-owned, but by the end of this century, the corporation will be made public. Taipower, with its 30,000 employees, is the second largest energy supplier to Taiwan's consumers. LNG represents the third largest of Taipower's energy stocks -- the first being oil and the second being coal. Nuclear energy and hydroelectric also play an important role in Taiwan -- nuclear power is 29.1% of the total mix and hydroelectric is 7.1%.

Two different types of projects are operated by Taipower -- a total of 59 power stations nationwide. The first are projects which are operated completed under the control of the corporation. These range from hydroelectric plants, coal, oil, nuclear and natural gas.

The second type of project are those in which Taipower purchases its energy from independent power producers. These projects total eleven and are either coal, LNG or oil fired.

According to data provided by the Council for Economic Planning and Development, Taiwan's 1997 economic growth rate will be 6.7%. We expect the demand for power to continue growing. Based on Taipower's 1996 Long-Term Power Development Program, our high-peak electricity reserve margin will increase from 5.6% on 1996 to 11.8% in 1997.

A reasonable margin would be 20-25% -- Taiwan will fall far short. The looming threat of power shortages will, therefore, still exist.

Over the course of the next 13 years -- or the year 2010 -- Taiwan's energy needs are expected to grow some 3.9%. LNG is the clear winner in energy source increases -- the imported supply of LNG is expected to top 8.8% in the same time period -- declines are anticipated in nuclear, and coal.

Additionally, our government corporate structure is currently changing rapidly.

Industrial consumption of energy continues to grow at a rapid rate. As Taiwan develops, its energy needs are increasing. Both of the major energy suppliers -- CPC and Taipower -- as well as the privately held utilities -- have expressed interest in investing in foreign energy projects in order to secure adequate energy supplies.

I have brought with me details of Taiwan's energy supply and demand trends and would be happy to provide any additional information you may request.

As Alaska's trade representative in Taiwan, I fill several roles. The first is market intelligence -- provided necessary information to both potential Alaska customers and to Alaska government and industry. Secondly, in Taiwan, government is very important and I am viewed as the official government contact for the State of Alaska. As a Taiwan national, I am aware of the different ways to approach situations with both government and industry in my country. There are often requests for information from the Taiwan government that they feel best asking of a government official. Finally, information can strategically distributed -- to benefit Alaska's goals -- to target Taiwan companies and officials via my office. Please remember that your trade representatives act as your eyes and ears in very dynamic markets -- we can be used in a variety of ways to benefit Alaska.

Thank you very much for the opportunity to address you today.