

HCR

1

SENATE RULES COMMITTEE

February 5, 1997

12:00 p.m.

MEMBERS PRESENT

Senator Tim Kelly, Chairman
Senator Loren Leman, Vice Chairman
Senator Robin Taylor
Senator John Torgerson

MEMBERS ABSENT

Senator Jim Duncan

COMMITTEE CALENDAR

CS FOR HOUSE CONCURRENT RESOLUTION NO. 1 (WTR)
Relating to a new Alaska liquefied natural gas project.

PREVIOUS SENATE COMMITTEE ACTION

HCR 1 - Resources minutes dated 2/3/97.

ACTION NARRATIVE

TAPE 97-1, SIDE A

#HCR 1

CHAIRMAN KELLY called the Senate Rules Committee meeting to order at 12:00 p.m. He brought CSHCR 1 (WTR) (NORTH SLOPE NATURAL GAS PROJECT) before the committee as the only order of business.

SENATOR LEMAN moved CSHCR 1 (WTR) be approved for calendaring at the Chair's discretion. Hearing no objection, it was so ordered.

There being no further business to come before the committee, CHAIRMAN KELLY adjourned the meeting at 12:01 p.m.

#



COMMITTEES
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

SPONSOR STATEMENT

CS HCR 1 (WTR)

CS HCR 1 (WTR) urges the establishment of a stable fiscal and regulatory environment in order to provide the best opportunity for a new LNG project to be economically viable and attractive. To ensure economic viability, a huge volume of 14 million metric tons of gas must be sold per year. The proposed LNG project would transport and market the North Slope gas resource in the Asian Far East market. It is believed there exists an opportunity in 2005 when demand in that market will rise enough to accept the volume of gas which this project will provide. A critical element is the likelihood Alaska's huge volume of gas could be displaced from the market for many years if smaller, more easily placed projects come on line first.

CS HCR 1 (WTR) encourages the Governor to work with North Slope leaseholders as well as the Legislature, the federal government and Congress to develop and complete the LNG project.

The Governor is asked to work with leaseholders to develop a contract for execution with those who appear likely to become sponsors of the project. The contract would point out the nature, degree and duration of fiscal terms for the project and contractually guaranteeing the terms. The contract would be submitted to the Legislature for ratification. The Governor would also provide the Legislature with enabling legislation to authorize the State of Alaska to formally enter the contract.

The Legislature encourages potential sponsors of the LNG project to find suitable measures to support and encourage Alaska businesses and residents to participate in construction and operation of the project.

If built, the project would also be constructed so as to enable the marketing of gas to Alaska communities.

The Governor is asked to work with leaseholders and Alaska's Congressional delegation to identify appropriate federal action to help expedite the project. He is also asked to identify and report to the Legislature, the form of participation in the project by the State of Alaska.

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

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

Revision Date: _____ Dept. Affected: Revenue
 Title: North Slope Natural Gas BRU: Administration and Support
 Component: Commissioner's Office
 Sponsor: Rep. Barnes
 Requestor: (H) WTR COMPONENT SERIAL NO. 123

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

HCR 1, regarding the proposed North Slope gas project, requests that the Governor (1) identify fiscal terms that would best facilitate the proposed project, (2) work with the North Slope leaseholders to develop a proposed contract to lay out and guarantee those fiscal terms, (3) submit that proposed contract to the Alaska legislature for ratification along with enabling legislation, and (4) work with the Alaska Congressional delegation and the North Slope leaseholders to identify appropriate federal actions to facilitate advancement of the project. Currently, the Commissioner of Revenue is leading the Governor's efforts on the project.

The Commissioner of Revenue has already committed substantial resources, both financial and personnel, to gas line issues, and intends to do so in the future. As a result, no additional funding will be required under this resolution.

Prepared by: Tamar diFranco, Special Assistant
 Division: Commissioner's Office
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: (907) 465-2320
 Date: January 17, 1997
 Date: January 17, 1997

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
 Title: North Slope Natural Gas BRU: Administration and Support
 Component: Commissioner's Office
 Sponsor: Rep. Barnes
 Requestor: (S) RES COMPONENT SERIAL NO. 123

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

CSHCR 1 (WTR), regarding the proposed North Slope gas project, requests that the Governor (1) identify fiscal terms that would best facilitate the proposed project, (2) work with the North Slope leaseholders to develop a proposed contract to lay out and guarantee those fiscal terms, (3) submit that proposed contract to the Alaska legislature for ratification along with enabling legislation, and (4) work with the Alaska Congressional delegation and the North Slope leaseholders to identify appropriate federal actions to facilitate advancement of the project. Currently, the Commissioner of Revenue is leading the Governor's efforts on the project.

The Commissioner of Revenue has already committed substantial resources, both financial and personnel, to gas line issues, and intends to do so in the future. As a result, no additional funding will be required under this resolution.

Prepared by: Tamar diFranco, Special Assistant Phone: (907) 465-2300
 Division: Commissioner's Office Date: January 31, 1997
 Approved by Commissioner: Wilson L. Condon Date: January 31, 1997
 Agency: Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CSHCR1 (WTR)

Revision Date: 2/3/97 Dept Affected: Natural Resources
 Title: Relating to a new Alaska liquefied natural gas project BRU: Management & Administration
 Component: Commissioner's Office
 Sponsor: Rep(s) Barnes, Phillips, Rokeberg, Kubina, Kott...
 Requestor: House Special Committee on World Trade... Component Serial No. #423

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ none

POSITIONS

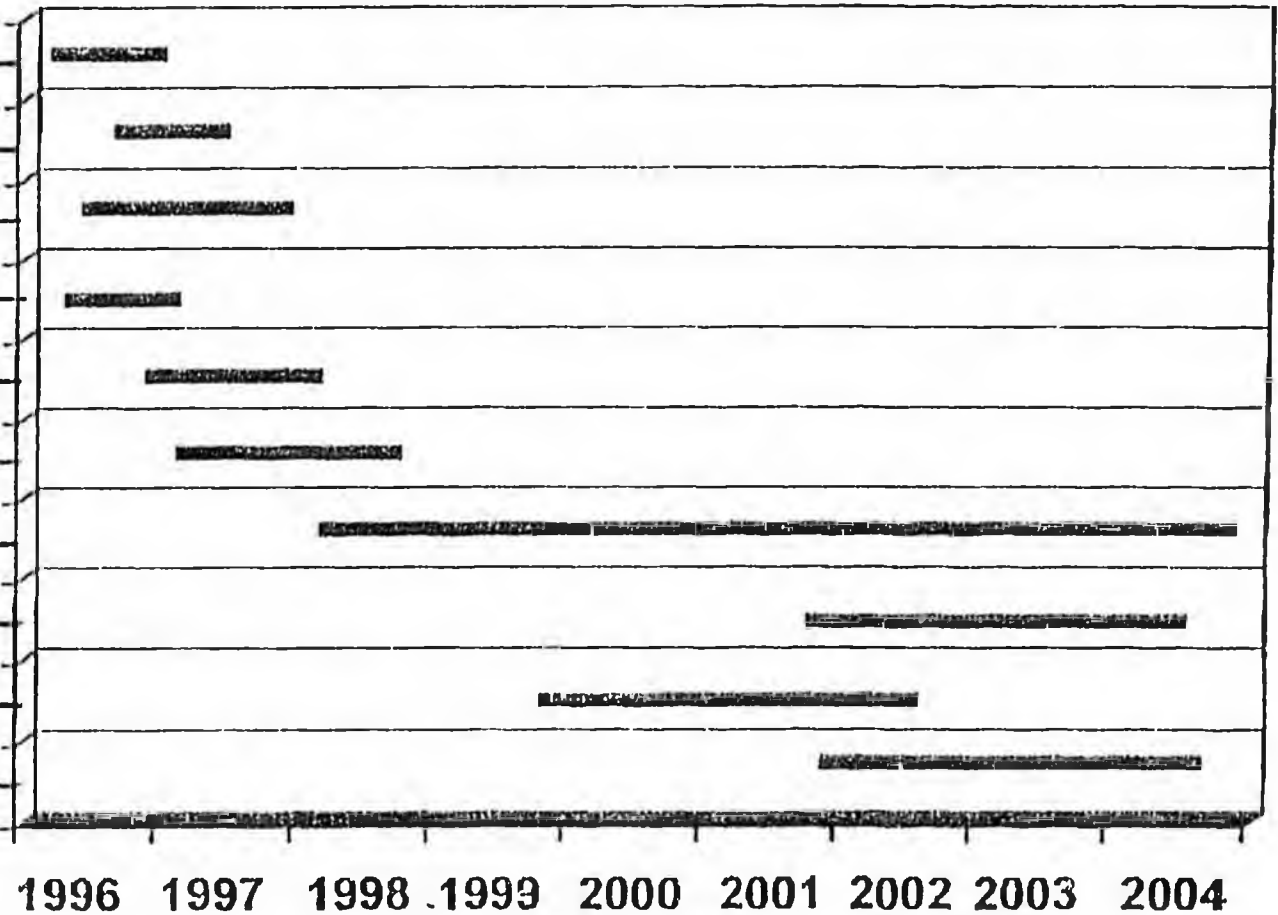
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Carol Carroll, Director *Carol Carroll* Phone: 465-2406
 Division: Support Services Date: 3-Feb-97
 Approved by Commissioner: *John Barnes* Date: 2-3-97
 Agency: Natural Resources

TAGS Best Case Development Scenario

- Negotiate commitments to sell North Slope gas
- Negotiate sales contracts w/Asian markets
- Negotiate TAGS equity ownership mix & financing
- Negotiate project labor agreement
- Complete final engineering
- Specialized training of Alaskans for construction
- Complete pipeline & liquefaction plant
- Construct LNG tankers
- Negotiate in-state use LNG contracts
- Construction of in-state LNG facilities & pipeline



BEST CASE DEVELOPMENT SCENARIO
TRANS-ALASKA GAS SYSTEM
PREPARED BY YUKON PACIFIC CORPORATION

The construction and operation of the Trans-Alaska Gas System and sales of Alaska's North Slope natural gas are critical to Alaska's future. State revenues, local government revenues, private sector jobs, contracts for Alaskan businesses, and use of the gas for residential and commercial purposes along the pipeline corridor all hinge upon conclusion of a unified proposal to present to the Asian markets.

Representatives of these Asian markets have recently substantiated that a market now exists for Alaskan gas and that if we do not move quickly to meet this market demand, they will have to make commitments to other competing projects.

The Alaska Legislature recently unanimously passed a resolution in support of the project which established an interim Legislative working group to "track progress and assist the transportation permit holder, the working interest owners of the Prudhoe Bay and Point Thompson units, and the administration in developing a unified proposal for presentation to the Asian market."

This resolution was supported by the Alaska Municipal League, the Alaska AFL-CIO, the Alaska Environmental Lobby, the Fairbanks North Star Borough, the Alaska Trucker's Association, the Fairbanks North Star Borough, the City and Borough of Juneau, the Bristol Bay Borough, the Southwest Marine Pilots and others throughout Alaska.

Korea and Taiwan have already signed letters of intent to purchase Alaskan gas and President Clinton also promoted Alaska North Slope gas sales in Japan on his recent mission to Asia.

Many of the components of this project are already in place. What is the best case development scenario for the earliest completion of this project?

PERMITTING:

Environmental permits are a major uncertainty in any large scale development project. Fortunately, in this instance, Yukon Pacific has already obtained all the permits and an export license within the existing pipeline corridor. This process took 10 years to accomplish. Any alternative to this route would have to start from scratch to seek permits which would delay beginning of this project for at least 5 years. The participation of Yukon Pacific Corporation is critical to any near term Alaska LNG project.

NEGOTIATION OF COMMITMENTS TO SELL GAS:

This is the most pressing component of the project at this time. Until the working interest owners on the North Slope actually agree to put Alaskan gas on the market this project cannot move forward. There are several options to conclude these agreements. First, the major oil companies could agree to let Yukon Pacific market the gas and agree to a sales price and production schedule.

As an alternative they could join as ownership partners with Yukon Pacific to jointly present this project to the Asian markets. Yukon Pacific has offered up to 75% ownership of TAGS to the oil companies or other investors.

If due to reinjection requirements, or the Issues Resolution Agreement, the oil companies cannot market their gas before 2005, Point Thomson could lead the production required for this project to begin, and the oil companies could agree to bring Prudhoe Bay production on line after 2005.

NEGOTIATE SALES CONTRACT WITH ASIAN MARKETS:

Korea and Taiwan have already signed letters of intent with Yukon Pacific to buy Alaskan gas. Representatives of Japan National Oil Corporation who recently visited Juneau indicated their interest in Alaskan gas and encouraged Alaskans to present a unified proposal to them for their consideration. President Clinton also promoted sales of Alaskan gas on his recent mission to Asia. Long term contracts (20 to 30 years) need to be negotiated to facilitate financing of the project.

NEGOTIATE TAGS OWNERSHIP AND FINANCING:

This component would involve establishing an ownership and management structure for the project. This will be partially determined by the investors of the project. Total costs and returns from the project need to be presented to potential financiers including Yukon Pacific, the oil companies, banks, and end users of the gas. Although it is not required to secure adequate project financing, the State of Alaska may want to consider investing in the project if it can be shown that the State can achieve a higher rate of return than its existing investments.

NEGOTIATE PROJECT LABOR AGREEMENT:

Yukon Pacific has stated its willingness to negotiate a project labor agreement for the project to ensure availability of qualified workers and to ensure maximum Alaskan hire. A no strike clause will be an essential part of this agreement.

COMPLETE FINAL ENGINEERING:

Preliminary engineering has been completed but final engineering and construction blueprints need to be completed. During this phase all opportunities for shared facilities

with existing pipeline operations need to be considered in an effort to lower costs of the project.

CONSTRUCT PIPELINE AND LIQUEFACTION PLANT:

Estimated construction schedule is five years from start to completion. This phase will overlap to some degree with the 2-3 years required for final engineering and design discussed above. The pipeline will be buried except for occasional stream crossings.

CONSTRUCT LNG TANKERS:

Construction of the initial vessels required is estimated to take 2 years. New tankers will be phased in as production ramp up occurs.

NEGOTIATE IN STATE USE OF NATURAL GAS:

This would include local distribution companies and potential industrial users including petrochemical production, etc.

CONSTRUCTION OF IN STATE NATURAL GAS FACILITIES AND PIPELINES:

This construction would be timed to coordinate with completion of the main gas line.

TAGS PERMITS AND AUTHORIZATIONS

Over the past twelve years YPC has secured or satisfied all of the necessary legal approvals and requirements to export North Slope natural gas to Asia. These include:

1. *Presidential Approval: Presidential Finding Concerning Alaska Natural Gas: Removes impediment to Alaska natural gas exports required by Section 12 of the Alaska Natural Gas Transportation Act (15 U.S.C. 719f), January 13, 1988;*
2. *Project-Wide Environmental Impact Statement¹: Trans-Alaska Gas System Final Environmental Impact Statement, June 1988 (21 federal and State agencies);*
3. *Ahtna Right-of-Way¹: Grants to Yukon Pacific Corporation the right to designate and acquire certain rights in any and all lands acquired by or otherwise available to Ahtna under the Alaska Native Claims Settlement Act of 1971 which are reasonably necessary to construct, maintain operate or terminate the pipeline, October 14, 1988;*
4. *Federal Right-of-Way¹: Right-of-Way Grant for the Trans-Alaska Gas System from The United States of America to The Yukon Pacific Corporation, October 17, 1988;*
5. *State Right-of-Way¹: Trans-Alaska Gas System Conditional Right-of-Way Lease, December 10, 1988;*
6. *DOE's Authorization for Export of Gas¹: DOE/FE Opinion and Order No. 350, Order Granting Authorization to Export Liquefied Natural Gas From Alaska; Limiting of FERC's jurisdiction, November 16, 1983;*
7. *Confirmation of Order 350¹: DOE/FE Opinion and Order No. 350-A, Order Denying Requests for Rehearing and Modifying Prior Order for Purpose of Clarification, March 8, 1990;*
8. *Anderson Bay Final Environmental Impact Statement¹: Yukon Pacific Corporation LNG Project: Final Environmental Impact Statement, March 1995;*
9. *Order Granting NGA Section 3 Authorization for the Siting, Construction and Operation of LNG Facility: Federal Energy Regulatory Commission's approval of Anderson Bay, Port Valdez, Alaska as the Place of Export, May 22, 1995.*

10. Prevention of Significant Deterioration (PSD) application in progress: Reserves critical Port Valdez airshed "space" for future LNG plant and marine terminal emissions.⁴

⁴These assets are exclusive property rights of Yukon Pacific Corporation currently held through its interest in Yukon Pacific Company L.P. and represent over 12 years of effort. It is important to note that the majority of these property rights were obtained before the *Exxon Valdez* oil spill and it is highly unlikely that they could be duplicated in a reasonable period of time, if ever.

Taken together, these authorizations and agreements give YPC the exclusive right to construct TAGS and export Alaska's North Slope natural gas to Asia.

Grass Roots LNG Projects Cost Comparison

Project	Production (MMTPA [*])	Estimated Cost \$ Billions	Cost in \$ Billions per MMTPA	Capital ^{**} per MMBTU
Alaska TAGS	15	13.6	0.91	0.70
TAGS at higher cost	15	15.0	1.00	0.77
Qalargas	6	6.0	1.00	0.77
Natuna Island	15	21.3	1.42	1.03
Sakhalin	6	7.9	1.32	1.01

* million metric tons per annum

** does not reflect capitalized interest, cost of gas, time value of money or operating expense

TAGS Competition is Other Undeveloped Gas Fields in:

	<u>Start-up Date</u>	<u>Annual Volume</u>
▲ Qatar (Qatargas & Rasgas) - Mobil	2005	6-10 MMTA
▲ Indonesia (Natuna Island) - Exxon	2004	15 MMTA
▲ Sakhalin (Russia) - Exxon x2, Marathon/Shell	2004	10 MMTA
▲ Yemen - Exxon	??	20 MMTA
▲ Papua New Guinea - BP	??	20 MMTA
▲ Oman - Shell	2005	6 MMTA
▲ Australia - Shell, BP	2003	16 MMTA

Each host country (together with the private gas producers shown above) is actively promoting its project as the next post-2000 LNG supplier to Asia.

Morrison/Canadian 88 *(Continued from p. 1)*

Canadian 88 stock. Morrison closed Jan 27 at \$10.30/share, down 5 cents, in Toronto Stock Exchange trading.

While the prospect of success for Canadian 88's bid is uncertain, several analysts said one thing appeared clear: Morrison will soon not resemble the company it was at the start of the year. "The company has to do something," said Smith Barney's Kurt Wulff, whether it is taken over, merges with another producer, or makes a big change in its capital structure.

A "white knight" has yet to show itself, and analysts said time is getting short as Canadian 88's bid expires Feb 7. Rumors have centered on another Alberta producer stepping to the table. "It's a strong market for companies and for properties, and there's a big company on the table," said Wood Gundy analyst Peter Linder. "So there's a lot of interest."

Canadian 88 president Greg Noval said the company has no intention of extending its offer past the original 21 days or increasing the cash price. "Ten dollars is a clear knock-out punch, and that's our offer," said Noval, who has just wrapped up a tour of major US and Canadian cities presenting the offer to institutional shareholders. Canadian 88 has control of 8% of Morrison shares.

Noval said Morrison's statement rejecting the takeover offer acknowledges the compatibility of the two companies. "They've admitted what a nice couple we'd make walking down the aisle," Noval said. He referred in particular to a statement that read: "The offer does not reflect the strategic value of Morrison's assets to Canadian 88, especially in view of Morrison's large land holdings located near Canadian 88's Waterton property and Morrison's nearby Coleman gas plant."

Noval also calls the bid "opportunistic. It seeks to exploit the recent technical difficulties encountered at Morrison's Racehorse Creek property and the fact that new drilling and test results are not expected until early March 1997."

The option of creating a royalty trust, which would deliver the bulk of earnings and cash flow directly to shareholders, is a viable alternative to the Canadian 88 offer, analysts said. Scott Inglis of FirstEnergy Capital Corp said there are few better ways of maximizing the value of the company, if the market is able to absorb the trust.

He estimated Morrison could be worth at least \$12/share (\$8.90) as a royalty trust, even though some of its reserves have a relatively short lifespan. Morrison has already spun off a natural gas processing plant and a British Columbia pipeline into an income-trust, a transaction that will net it \$180-million (\$133.4-million) when it closes Jan 28.—Peter Zipf, with Gary Park in Calgary

Alaska LNG warning: pick up the pace

Anchorage—State Rep. Ramona Barnes (Republican-Anchorage) is warning North Slope oil and gas producers not to drag their feet on a gas pipeline project to Valdez as she pushes for the Alaska legislature to officially back the project.

Barnes, who chairs the House Special Committee on World Trade and State/Federal Relations, said Alaska might miss opportunities to sell gas to Asian countries if projects elsewhere are developed first.

Last week, Barnes' committee passed House Concurrent Resolution 1, which calls for Alaska officials to provide a fiscal and regulatory environment that would give the proposed new LNG project the best chance to become economically viable in time to bring product to market by 2005. The project would include a gas pipeline for transporting more than 26 Tcf of natural gas from Alaska's North Slope to tidewater and a liquefaction plant to prepare the gas for transport to market by tanker.

"We see a window of opportunity existing for Alaska gas by 2005 and 2007 at the latest," Barnes said in an interview Jan 24. "We feel those commitments must be in place and signed so consumers in Japan, Korea and Taiwan know the gas will be coming in a timely manner."

The resolution essentially urges holders of the North Slope gas leases, Arco Alaska Inc, BP Exploration (Alaska) Inc and Exxon Co USA, to sign an agreement developed by the Knowles administration several weeks ago for all the parties to work together on the LNG project.

Barnes said the House Resources and Special Oil & Gas committees will take up the resolution in a joint hearing Jan 28, and hopefully, it will come to the House floor for a vote by Jan 31.

Meanwhile, Barnes is researching whether the state could take back Alaska gas leases from companies that dawdle on the project. Barnes made the comments at a Jan 22 legislative hearing where the state unveiled the latest drafts of agreements between the state and companies involved in

the gas project.

Barnes said she was directing her remarks at Exxon representatives at the hearing. "Arco is ready to sign and BP has indicated to expect the go-ahead in two to three weeks," Barnes said. "But Exxon has indicated that they have problems with certain aspects of the agreement."

"From time to time, people have to be motivated," Barnes said. "I just know there's a time for us to get into the gas market, and if we don't get there, we're in serious trouble."

Exxon spokesman Bob Davis said the company is working with Alaska on the project and has fulfilled all its lease obligations and duties. The problem with the proposed pipeline and LNG facility, Davis said, is that the project is not yet commercially viable.

"It may become viable, through a combination of improved fiscal terms, improved market terms and reduced costs," Davis said. "We've been, and continue to be, prudent in seeking ways to commercialize North Slope oil and gas." Project costs have been estimated at \$15-billion.

Barnes accused Exxon of holding up the deal in favor of other Exxon projects.

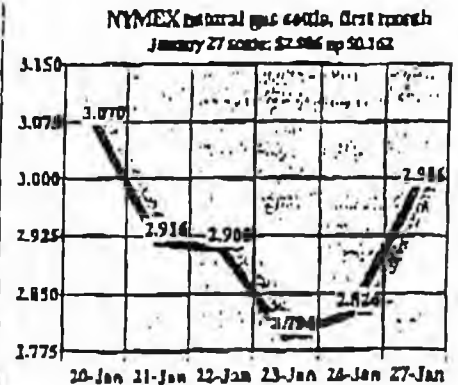
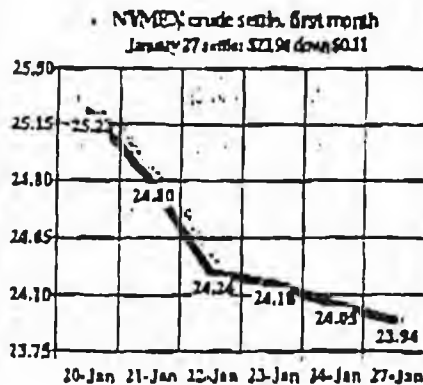
"The Alaska Constitution provides that Alaska's resources be used for the maximum benefit of the people," she said. "Gas sitting in the ground is not benefiting the people of Alaska. If Exxon chooses to continue on this path, then we would have to look for ways of taking those gas leases away from Exxon to maximize their use for the people of Alaska."

Davis said Exxon has other gas projects elsewhere that could compete with Alaska and that each project has to stand on its own.

Yukon Pacific Corp, a company owned by CSX Corp, has most of the major permits needed for the pipeline, but still needs to work out deals with producers and buyers. Jeff Lowentfels, Yukon Pacific's president, said he believes Barnes' efforts are likely to help move the project along.

—Rose Ragsdale

What crude and natural gas markets are doing...





Anchorage Economic Development Corporation
The Center of Opportunity

Date: January 28, 1997

To: Representative Ramona Barnes

Subject: Support for CS-1:
A Resolution Concerning a New Alaska Natural Gas Pipeline

The Anchorage Economic Development Corporation (AEDC) supports House Concurrent Resolution No.1 relating to a new Alaska liquefied natural gas project (CS-1). The AEDC is a private, non-profit corporation whose mission is to expand and diversify the Anchorage economy, provide a favorable business climate and improve the standard of living for Anchorage residents by creating permanent jobs. Over 160 businesses support the organization.

Alaska operates in a global economy from an economic base currently driven by extraction and export of natural resource commodities. Through the process of developing the oil resources in Prudhoe Bay over the last twenty years, natural gas co-located with oil has been discovered, and reinjected to existing fields. As a competitive market position, Alaska enjoys greater certainty of the availability and size of gas reserves. The competitive nature of the gas business requires a lengthy process of negotiation for contract sales in advance of development. Alaska has a long term presence anticipated in the natural gas market. However, the window of opportunity for entering the market and establishing a solid presence is narrowing as other fields progress toward market.

The proposed Resolution CS-1 addresses the need to begin the process of establishing the commitment of Alaska to enter the gas production arena and capture a share of the market. The AEDC supports this resolution for three reasons:

First, the resolution is a means of providing a background of policy stability against which negotiations can proceed in good faith. Removing governmental and regulatory uncertainty contributes significantly to Alaska's advantage in the market.

Second, the AEDC supports the creation of jobs and business opportunities that will follow development of a new gas pipeline. Following initial construction, operation of the gas development facilities will provide jobs directly proportional to the flow of gas to international markets. The AEDC is active in promoting the retention of qualified and skilled businesses and workers in gas exploration, development and production. This is a key, high value component of the economy of our state.

Third, it is important for any development of gas resources to provide for use of natural gas in Alaskan communities along the pipeline route. Alaskan businesses and development needs can be significantly enhanced by the availability of natural gas both as an energy source and as a potential process feedstock.

The State of Alaska's ownership of a portion of the natural gas resource should be brought to bear as leverage to achieve resolution of the prevailing impediments to market entry.

AEDC urges expeditious action to implement the provisions of Resolution CS-1.

Respectfully submitted,



Patricia M. DeMarco, Ph.D.
President

