

SCOMM

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Official Business

ALASKA STATE LEGISLATURE

JOINT COMMITTEE ON NATURAL GAS PIPELINES

Senator John Torgerson, Chair

Senator Rick Halford
Senator Pete Kelly
Senator Johnny Ellis

Representative Joe Green, Vice-Chair

Representative Brian Porter
Representative Scott Ogan
Representative John Davies

NOTES ON WESTERN CANADA MISSION Joint Natural Gas Pipeline Committee August 19 – 24, 2001

Alaska Delegation Membership:

Sen. Torgerson, Chair
Sen. Ellis
Sen. Olson
Rep. Green, V. Chair
Rep. Chenault
Rep. Davies
Rep. Fate
Rep. Joule
Rep. Ogan

Mr. Charles Brower, N. Slope Borough
Mr. Jim Mendenhall, ASRC
Mr. Jack Laasch, Natchiq, Inc.
Mr. Bill Stamps, PEAK

Ms. Ronda Thompson, Staff
Mr. David Gray, Staff

WHITEHORSE, YUKON TERRITORY, Monday, Aug. 19

11:30 – 1:00 pm, Meeting with Yukon Territory government officials in the airport conference room.

Yukon Delegation:

Hon. Pat Duncan, Premier
Hon. Scott Kent, MLA, Minister of Development & Econ. Expansion
Mr. Greg Komaromi, Director of Oil and Gas
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Premier Duncan reported on the recent meeting of the Western Governors and Premiers Conference and energy discussions with U.S Secretary of Interior Gale Norton. Said there is another meeting of the Yukon, Alberta, BC and Alaska governments on issues of common concern scheduled for Aug. 30 (subsequently cancelled). The premier also announced that the next Western Govs and Premiers Conference is in Dawson City, June 4 – 6, 2002.

Sen. Torgerson related the activities and efforts of the committee. Spoke to the reasons that the over-the-top route to the Mackenzie was unacceptable, listing Alaskan development opportunities and in-state energy needs.

Torgerson observed that the Alaska Hwy route would pass through at least four governmental jurisdictions, each with their own particular desires, needs and responsibilities. He stated that there needed to be some forum where all participants could exchange information and address issues of mutual concern. The exchange of information was even more pressing because of the rapid approach of decisions and commitments. He noted recent proposed legislation by the producers in Washington, D.C. Thus, a closer interaction between the different governments would benefit all parties and ultimately the project itself. This was the basis for inviting Yukon, NWT, Alberta, and BC to establish and international gas pipeline committee with Alaska.

Premier Duncan welcomed the invitation and thanked the delegation for taking the initiative. She agreed that there was a need for closer cooperation and coordination between the governments and offered to advance the proposal with her Western Canada colleagues. She proposed that the first meeting of the international committee be held in Whitehorse. She stated that Minister Kent would be the principal lead for the Yukon government.

Other topics discussed: ANWR and NWT's Mackenzie delta developments.

Meeting ended at 1:05. Premier Duncan and Sen. Torgerson held a joint press conference. Individual members of the delegation talked with Mr. Alan Edzerza and Rick OBrian of the Kaska Tribal Council to hear the status of their land claims and pipeline involvement.

Left for Yellowknife at about 2:00 pm.

YELLOWKNIFE, NORTHWEST TERRITORIES, Tuesday, Aug. 21.

9:00 am – 11:00 am Briefing on the NWT diamond industry and tour of the Arslanian processing facility. Since the discovery of diamonds in NWT in 1991, one mine is developed and operating, another will start production in 2003 (at an investment of \$1.3 billion CA), and two others are in the beginning stages of development. It is estimated that Canada will supply 12% of the world's diamond production by 2005. NWT retains a percentage of the diamonds mined

and have contracted a diamond manufacturing facility (cut and polish) in Yellowknife. Imported Armenian artisans are employed to produce jewelry grade gemstones and train Canadian apprentices.

1:30 – 4:30 pm Meeting with NWT government officials in the Legislative Assembly building.

NWT delegation:

Hon. Joe Handley, Minister of Finance, Minister of Resources, Wildlife and Economic Development

Mr. John Bayly, Principal Secretary to the Executive

Mr. Doug Dallman, Dep. Commissioner

Mr. Cal Brackman, Oil and Gas

Mr. Scott Ray, Resource Economist

Mr. Ross Bower, NWT Housing Corporation

Mr. Doug Cardinal, First Nations representative

After exchange of greetings and introductions, Sen. Torgerson noted Premier Kakfwi's letter declining to join an international committee because of actions in the Ak. Legislature and US House of Representatives against "alternative pipeline routes." Torgerson said he thought this meeting important to preserve a good neighbor policy, to explain why Alaskans are so opposed to the over-the-top route, and to ask for reconsideration to joining the committee because there are other issues of Arctic gas pipeline developments that necessarily involve NWT.

Sen. Torgerson went on to list development opportunities and in-state energy needs that Alaskans were hopeful about. He noted that the state is the owner of 12 ½ percent of the gas.

Sen. Olson, Rep. Joule, and Mr. Brower explained how important whales and whaling was to the Inupiat people of the North Slope and that they were adamantly opposed to any activities that would disturb or threaten the whales. They also noted that North Slope people share a long history with people of NWT and there are many extended family connections.

Rep. Green presented the limited life of current gas reserves for Anchorage and the Southcentral region energy needs. The gas pipeline project offers the possibility to secure the energy future for the state's largest population. Rep. Davies said the legislature's action against the over-the-top route was not against NWT and Mackenzie development per se, but rather the desire for the economic benefits of value added processing of the resource in state. He noted that this was no different then the territory's laudable efforts to establish a diamond manufacturing industry in the region and promote a "Canadian Diamond" market. Rep. Chenault observed that if a proposed development of Mackenzie delta featured an over-the-top route to Prudhoe and down to Valdez, NWT

would face a similar situation as Alaska and would be expected to act the same. Other representatives made comments in the same vein.

Minister Handley responded that it was always clear that the route was Alaska's decision. All points made on value added, the environment, and animal protections are shared by them. But their primary focus is how to get Canadian gas to market. If over-the-top was the cheapest way, then there was an argument that everyone could benefit. They felt that Alaska's action in prohibiting this route was premature and without consultation. Now, they will continue to work with producers and aboriginal groups to advance a Mackenzie pipeline project.

Handley went on to explain economic activities occurring in NWT and the potential for strengthening ties and increased partnership with Alaska. NWT economy is in great shape. Mining, oil and gas field development, transportation services from the Mackenzie, Arctic housing sales, tourism are some of the areas to work together on.

Suggested the NWT may be open to a broader international committee on trade.

Mr. Doug Cardinal of the First Nations aboriginal group related the activities and agreements that they are pursuing for part ownership of a Mackenzie delta pipeline, as a stake hold for their future.

A wide ranging discussion of a two pipeline scenario ensued about which could go first, the potential of one stranding the other, market availability, et al. The discussion underlined that even if the decision is to send Alaskan gas down the highway route, there still was linkage to a Mackenzie gas line project.

Sen. Torgerson said some information and issues he would expect the international committee to address are:

- 1) Sharing Arctic gas for the benefit of Arctic communities.
- 2) Taxes: How to handle with different jurisdictions.
- 3) Net back to well head.
- 4) Local hire issues.
- 5) FERC and Canadian National Regulatory issues.
- 6) Producer requirements.

Minister Handley said he was appreciative of the frank discussions, would take the proposal under advisement and speak with the Premier Kakfwi.

5:00 p.m. Reception in the Great Hall of the Legislative Assembly with Ministers, Members of the Legislative Assembly and Yellowknife civic leaders. Delegation's contribution of Alaska crab to the buffet table was well received. Hon. Tony Whitford, Speaker of the House served as Master of Ceremonies. Sen. Torgerson and Minister Handley spoke on the merits of the meeting.

YELLOWKNIFE, Wed., Aug 22

10:45 – Noon Tour the Legislative Assembly, hosted by Speaker Whitford.

1:00- 4:30 Private meetings.

Rep. Chenault, Rep. Joule as well as Brower, Mendenhall, and Laasch returned to Alaska.

EDMONTON, ALBERTA, Thur., Aug. 23

9:00 – 11:30 am Meeting with Alberta government officials.

Alberta Delegation:

- Hon. Murray Smith, Minister of Energy
- Hon. Pearl Calahasen, Minister of Aboriginal Affairs & Northern Development
- Mr. Mel Knight, MLA
- Mr. LeRoy Johnson, MLA
- Mr. Luke Ouellette, MLA
- Mr. Jamie Davis, Office of the Premier
- Mr. Ricardo Shillingford, Ex. Assistant to Minister of Energy
- Mr. Ken Smith, Deputy Minister, Energy
- Mr. Stan Wenger, ADM, Electricity and Gas
- Mr. Rory Campbell, ADM, Trade & Investment, Economic Development
- Mr. Wayne Clifford, ADM, International & Intergovernmental Relations
- Ms. Melanie McCallum, Director US/Latin America
- Mr. Marvin Schneider, Director, Asia-Pacific

Minister Smith welcomed the delegation and said he was excited to be working with President Bush's energy plan. He said the politics of the gas pipeline could be complex but he was ready to help in any way. He acknowledged the presence of Minister Calahasen and the importance of aboriginal involvement in resource developments. He expects the next 10 years to be a very active and exciting time for the Northwest corner of the continent.

Senator Torgerson said that in the next 6 to 8 months decisions and relationships will be established that will substantially determine the manner and conditions by which Arctic gas will be brought market. This was his motivation for proposing an international committee of the participating Canadian governments and Alaska to exchange information and work on issues of mutual concern.

Sen. Torgerson and other members of the delegation went on to explain Alaska's 12 ½ percent ownership share of North Slope gas and the need for in-state use of some of these resources. This is why the state objects to any over-the-top route proposal. The tenor of the discussions with NWT officials was related and

questions that arose surrounding a two-pipeline strategy to bring Mackenzie delta gas to market.

A presentation of Alberta's gas field developments and related infrastructure was presented. Alberta supplies 25 percent of total US-Canadian gas production. Its pipeline network reaches the US Pacific Coast, Midwest, and Northeast markets. They project an increase in the North American demand for gas at 20 Bcf/c by year 2010. This would adequately accommodate 4 Bcf/d of Alaskan gas. In question and answer exchanges, it was observed that other natural gas resources in the far east and Mexico could be developed to supply California energy needs by companies that are also prominent in the North.

Minister Calahasen said the Alberta government is committed to respecting treaty obligations to First Nations aboriginal groups. It is the government's policy that the First Nations are involved to the maximum benefit possible in gas resource developments. This is usually accomplished through the encouragement of joint venture arrangements. They have on going consultation with the First Nations on the progress of pipeline plans.

Minister Smith said they were developing a proposal for Alberta to be a hub for the transportation of northern gas resources to North American markets. Stan Wenger outlined the concept which relies on the existence of an interconnected pipeline network with excess capacity and the ability to store large amounts of gas. The hub operates much like a bank. Once a supplier puts gas into the pipeline network, he may instantly deliver to any outlet although it is unlikely to be the supplier's actual gas product. Such an operation allows suppliers the maximum trading flexibility where they can quickly adjust to market changes and respond to new market opportunities for economic benefit. It also provides the least cost expandability.

Currently, there is 1.5 Bcf/d excess capacity in the Alberta network. Pipeline companies are studying the proper mix of increased capacity to their own systems (to West Coast, Midwest, and Northeast US markets) necessary to handle the 4 Bcf/d of Alaskan gas as well as Alberta gas production increases and other Canadian new production. There was some questioning of how tariffs, net back calculations, and resolving the value between a supplier's input and outtake gas would work. Since the meeting time was at an end Minister Smith said Stan would be available to the state at anytime for a further presentation and additional information. He observed that this was the first time that they had publicly presented this proposal and planned a broader discussion with interested parties in the near future.

Minister Smith thanked the delegation for its efforts to establish closer cooperation between the various governments on pipeline developments. He agreed that was a need for better exchange of information and would pursue the idea of establishing an inter-governmental committee.

11:30 am – 1:00 p.m. Working lunch with University of Alberta Chancellor John Ferguson and nine faculty members engaged in academic and research disciplines pertaining to industry relations, regulatory economics, petroleum engineering, international relations, circumpolar research and Native and anthropological studies.

Chancellor Ferguson welcomed the opportunity to have faculty members meet with the delegation and describe the university's involvement the development activities of the North. This occurred as individual discussions between members of the two groups. Sen. Torgerson thanked Chancellor Ferguson for the hospitality and hoped to encourage University of Alaska President Mark Hamilton to reciprocate at a future meeting.

1:30 pm – 3:00 pm. Meeting with Alberta gas supplier and producer associations sponsored by the Ministry of Economic Development.

Delegation:

Mr. Rick Sloan, Asst. Deputy Minister, Alberta Economic Development
Ms. Jan Reurink, Alberta Economic Development
Mr. Greg Stringham, Canadian Association of Petroleum Producers
Mr. Brad Lock, Canadian Gas Processors Association
Mr. Grant Monsour, Canadian Gas Processors Suppliers

Deputy Minister Sloan introduced the other participants and they presented a composite description of the growth and current status of Alberta's natural gas production, handling and transportation facilities, and value added processing. Greg Stringham said his association was neutral on which route should be chosen. Other aspects emphasized were the new technologies successfully developed for application in northern geologic and climactic conditions. Presenters also described the associations' training programs that supply the work force for Alberta's gas production and processing.

6:30 pm – 9:00 pm Informal barbecue hosted by Minister Smith with approximately 24 attendees invited from government and the private sector. Delegation members benefited from a variety of individual conversations with industry and government leaders. Minister Smith again thanked the delegation for initiating the discussions.

VANCOUVER, BRITISH COLUMBIA, Fri., Aug. 24

11:00 am – 2:00 pm Meeting in an airport conference room

Delegation:

Hon. Greg Halsey-Brandt, Minister of State for Intergovernmental Relations

Mr. Andrew Wilkinson, Deputy Minister, Intergovernmental Relations

Mr. Jack Ebbels, Deputy Minister of Energy and Mines

Mr. Keith Ogilvie, Senior Advisor, International Relations

Ms. Karen Koncohrada, Director, Minerals, Oil and Gas Branch

Sen. Torgerson presented the reasons Alaska was seeking face to face meetings with Canadian governments involved in a gas line project to Alaska's arctic coast. He also related some of the discussions with the other Canadian governments.

Minister Halsey-Brandt observed that the current British Columbia government is only 90 days old and is just getting established. Their present attitude is to support whatever the producers determine as the most feasible. Deputy Minister Ebbels stated the B.C. has gas production activities in its northern area. This is also an area that has pending Native land claims and the government is working with the different groups for settlements and participation in gas resource developments. He noted that there already was a gas line coming down from that area, through the province, and into the US Pacific Northwest. He suggested that this line could be linked with the Alaska gas line going to Alberta. There were wide ranging exchanges on different aspects of Alaskan and Canadian gas developments and transportation questions. The ministers agreed that there was merit in a closer cooperation with the other governments and would give Alaska's proposal serious consideration.

6:00 pm Alaska delegation departs for Alaska.