

HB 3001

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SPECIAL

SESSION

DOCUMENTS

**Testimony by Gov. Walter J. Hickel to Senate Special Committee on Natural Gas
July 28, 2008 2:00 p.m.
Senate Finance Committee Room, State Capitol**

Thank you Mr. Chairman, ladies and gentlemen of this committee, and all members of the Alaska State Senate.

There is an issue before you of giant proportions.

THIS IS THE MOST IMPORTANT VOTE YOU'LL EVER CAST.

You will decide whether the State of Alaska, representing all of our people...

...the owners of the resources won in our battle for statehood...

...should build a natural gas pipeline from Prudhoe Bay to Valdez.

Or whether you commission a Canadian corporation to control this resource...

... set the timetable, determine who gets the jobs, and the other benefits promised the Alaska people in our Constitution.

Don't sell us out!

Remember who you are.

Remember where you are.

This is Alaska.

Don't sell us out!

Ask yourself: What is the best for Alaska?

If you do, you will vote no on the TransCanada license.

And you will say yes to an All-Alaska gas line.

Your vote can have an immediate and positive impact on our economy and our future.

We can get Alaska moving again.

We can lead the nation with an economic turn-around badly needed in the South 49.

Your vote can begin a new era.

Not an era of giving out money.

Giving out money does not save a society. It corrupts it.

THE PLUSEL OF AN ALL-ALASKA LINE

While the TransCanada plan means loss of control and serious delay...

...an All Alaska Gasline, owned by the State of Alaska, means the opposite.

It means that Alaska will retain control of our resources and our future.

It means that there will be absolutely no risk that any one corporation or group of corporations will control us.

While TransCanada readily admits that they won't even start building a gasline until the end of the next decade, and Canadian pipelines are well-known for their delay...

...we can start the All Alaska gasline this year.

It will give us access to the most lucrative markets in the world...

...Alaska's natural market in Asia...and we can provide all the gas they need to U.S. West Coast.

We have before us the greatest opportunity in my lifetime...and yours.

And if we stop acting like a fearful colony and stand up for our rights, we will have all the export licenses we need.

In 1989, I helped obtain a presidential finding from President Ronald Reagan..

...an export license for Alaska LNG that is valid for 25 years from the sailing of the first LNG tanker. (*See Attachment A*)

If called on to assist, I look forward to help renew and expand that license.

All it takes is someone who knows our constitutional rights and isn't afraid to go to the top to fight for them.

And keep in mind, the anti-Asia mood in Congress will change, once the South 48 is awash in the 500 trillion cubic feet of gas that will soon come on line.

I know about these gas sources. I tried to kick-start them in 1970 as Interior Secretary.

When that gas floods America, Congress will welcome Alaska coming to the rescue and saving our nation from our frightening imbalance of trade with the economic giants of Asia.

THE MINUSES OF A TRANSCANADA LINE

Who will control our gas under the TransCanada plan?

Not TransCanada.

It will be the producers.

No one but the State of Alaska, the owner of the resource, can force the producers to use the gas they control.

That's why TransCanada has offered to give up equity ownership in their gasline in exchange for producer gas.

The end of this process is obvious.

The producers will control the line through Canada.

In addition, the TransCanada plan will mean that the Canadian government will determine when a gasline is built...

... how it is regulated...

...how much it is taxed...

...how it addresses environmental issues...

...and First Nation land claims.

And, when they negotiate these issues, depending how generous they are, there will be less revenue for the Alaska people.

Because we will pay the bill.

WHAT ARE THE CANADIANS TELLING THEIR PEOPLE?

Visit the TransCanada website and look up the Northern Pipeline Act of 1978.
(See Attachment B)

Here's what it says:

This Act ensures that the following benefits for Canadians are realized in the development of the Alaska Pipeline Project:

- Canadian ownership
- Access to Alaska's gas for Canada's petrochemical industry
- Gas to remote (Canadian) communities along the pipeline
- Property tax benefits in the Yukon
- Maximization of Canadian jobs and supplies

And it says that the tolls for this project will be set by Canada's National Energy Board.

If you grant this license, ladies and gentlemen of the Alaska Senate, all of these promises made by TransCanada will come true.

And Alaska will be reduced once again to a colony.

I remember in Territorial Days well when corporations from Outside made our decisions for us, and we just got the crumbs.

Don't sell us out!

If you vote Yes for TransCanada, you are voting for someone else to take control of our future...

...someone else, governed by a corporate boardroom in Calgary and the Canadian government.

For years to come, future Alaska governors and legislators will have to go to these individuals, hat in hand, and say

"Please, can you hurry up?"

"Please, can we have some of our gas?"

"Please, can we have some jobs?"

You and the Alaska people will be frustrated.

And the northern part of Alaska, including Fairbanks and many remote areas, will be left without energy for years, may decades.

Some of those communities will be abandoned.

I urge you, the members of the State Senate, not to transfer our wealth, our jobs, and our future to Canada.

Don't grant exclusive control over this resource to Canada, with no commitment to build a gasline.

Don't sell us out!

WHAT HAPPENED TO THE DEMOCRATIC PROCESS?

This Owner State called Alaska is the only region in the world...

... where the land and resources are commonly owned by all residents, and yet it is a democracy.

And Alaska's democratic process is being tested this week.

The people of Alaska overwhelmingly support an All Alaska Gasline.

Over 62% voted for an All-Alaska gasline in 2002.

Who silenced the people's voice?

Have we lost our precious democracy?

Not if you at this table save it.

GOVERNOR PALIN HAS MADE THE WRONG DECISION

As most of you know, I endorsed Sarah Palin as candidate for Governor in 2006. I co-chaired her campaign.

She has proven to be a good governor.

But I cannot be silent on this decision, because it is so bad for Alaska.

She knows my views.

On April 7, I flew here to Juneau to advise her that this was the most important decision since statehood.

I met with her again on July 1 in Anchorage.

I asked over and over, "Why build an Alaska gasline through Canada?"

It's a question she didn't answer.

Now it is up to you to reverse that decision for the good of the Alaska people.

If you take this step, Governor Palin, in her heart of hearts, may be thankful.

She has a gift of moving beyond temporary defeats and turning them into victories.

I haven't given up.

If you vote down TransCanada, I think she will embrace the All Alaska line....as she used to.

Let me describe what can happen if you deny this license.

The doors will swing wide open to a wonderful new era for Alaska.

The next step will be to "Build It and Own It".

If we all put our shoulders to the wheel, we can start getting North Slope gas to Alaskans in the Interior in five or six years.

Then we will move our gas to the highest and most profitable markets...

...and by keeping the gasline within our boundaries, we will keep the jobs, all the jobs, here at home.

These jobs belong to Alaskans. Not to Canadians.

Don't sell us out!

How much will an All-Alaska gasline system cost:

About half of the \$50 billion estimated by the TransCanada line.

Here are the estimates that I believe are valid:

The gas treatment plant on the North Slope - \$5 billion.

The pipeline from Prudhoc to Valdez - \$12 billion.

The liquefaction plant in Valdez - \$8 billion. For a total of \$25 billion.

And we don't have to build Jones Act LNG tankers. There are plenty available for hire to ship our gas to market.

As anyone in business knows, you have to spend money to make money.

If Alaska invests \$7 billion in an All Alaska gasline, the market will jump at the chance to finance the rest.

It's not only do-able, it would be the best investment we could make.

Keep in mind Wall Street is a risky place to be right now.

It's the right time to diversify Alaska's portfolio.

BUILDING AND OPERATING THE ALL-ALASKA GASLINE

For those not familiar with government-owned infrastructure, let me describe the steps we should take:

1. It starts with a decision. A decision by our Governor, supported by the legislature.

Remember when JFK announced we were going to the moon?

2. Then she names a project director who hires the best gas pipeline builder in North America.

State employees will not build the gasline.

The best pipeliners in our country will build it.

3. Once the pipeline is built, it will be operated by the private sector through a management contract.

Such contracts are used worldwide world to manage pipelines and market gas.

Keep in mind, that an All Alaska pipeline would be built much faster and cheaper than either of the two Canadian lines being proposed.

Because it can start nearly immediately.

It would follow the Right of Way of the trans-Alaska oil line.

Permits and rights-of-way already exist.

And for those who criticize projects created by the State of Alaska, take a second look.

The All-Alaska natural gas pipeline will follow in the tradition of our state's roads, ports and highways.

And think of the Ted Stevens International Airport, the Bradley Lake Hydro facility, the Four Dam Pool and the Alaska Railroad.

And don't forget the Permanent fund.

THE DIFFERENCE BETWEEN MAXIMIZING AND MONETIZING OUR NATURAL RESOURCES

I want to take a minute now to clarify the difference between monetizing and maximizing our resources.

Monetizing means transforming our gas into cash for the State Treasury.

Maximizing the benefits, however, includes revenue for our treasury...

... and more important, it means using those resources to build an economy for our people

...through well paying jobs and opportunities for our home grown businesses.

One of the greatest failures of AGIA was that it failed to require that the priority use of our gas liquids must be within the state.

That was a fatal flaw.

The intent of our founders was to create an outstanding quality of life in Alaska.

With the rich gas liquids in Prudhoe gas, generations of our people will earn a decent salary so they can afford to live here...

... raise their children here, and enjoy all the glories of the North.

HOW WILL THE STATE GET THE GAS IT NEEDS FOR A STATE-OWNED ALL-ALASKA GASLINE?

First of all, keep in mind that...

...IT'S OUR GAS!

The State has the power of taxation and ultimate control over all leases on state land.

All the State has to do is announce we will build the All-Alaska line and invite the producers to use it.

They will join us in a heartbeat.

They recognize they have made tens of billions from Alaska's lands and resources.

They do not want to be shut out of the great promise ahead of us.

Alaska has all the power and precedence it needs to choose where to build its pipeline, and the market where it will sell its gas.

It simply needs to choose not to yield that power.

Don't sell us out!

Remember who you are.

Remember where you are.

This is Alaska.

Don't sell us out!

And the very worst thing to do would be to yield control.... and pay someone \$500 million to take it.

The world is watching to see if you will fall for something this wrong for our state.

But I want to end on a positive note.

Your vote can build a culture here dreamed of by Alaskan visionaries for a century.

A society of productive people.

Your vote will determine if this Senate will live up to your pledge as public servants...

...to care for the residents of this unique Owner State and make it a model for the world.

Yes. Alaska can inspire people all over the globe to follow our lead.

Thank you.

