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SB

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RESPONSE

LETTER

5/9/07

ENBRIDGE

MAY 09 2007

May 9, 2007

Senator Bert Stedman, Chairman
Senate Finance Committee
Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

Senator Stedman,

During our recent presentation to the Senate Finance Committee you requested our specific comments about Senate Bill 104, the Alaska Gasline Inducement Act.

As noted in our presentation, and upon further review of SB 104, Enbridge continues to believe that the single most important thing you could do to improve AGIA would be to make the "Application Requirements" in section AS 43.90.130 objectives rather than absolute requirements. This would in no way preclude the state from selecting an applicant who met all the variables versus one that did not. It would however, allow an applicant who could not meet all of the variables to still make a submission and suggest alternate ways of adding value. There seems to us to be only upside for the state from this approach, versus the current language which we view as too restrictive.

We look forward to reviewing the Senate Finance Committee version of SB 104, and hope to see the change mentioned above included in the new version.

Thank you.



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BACKBONE II

5/1/07

9:05:52 - 9:13:37 AM

**Testimony by the Honorable Walter J. Hickel, House and Senate
Finance Committees, May 1, 2007 - Juneau**

Thank you for inviting us to testify here today.

Our North Slope natural gas is Alaska's greatest opportunity to guarantee the long-term viability of our state.

And Alaska is on the right course to make a gasline a reality in this generation.

It's a large project worthy of our great state.

I am just back from Moscow where I have been working with Russian leaders on two other great projects.

The opening of the Northern Sea Route to the worlda decision that will link the Pacific and the Atlantic oceans.

It will be a breakthrough of the same dimension as the Panama Canal.

And we don't have to build a canal!

The second great project is a tunnel beneath the Bering Strait, linking the U.S. and Russia.

Those who attended the Conference last Tuesday in Moscow realize how serious the Russians are about this visionary concept.

This link between the United States and Russia is going to happen.

And it's going to change the world.

Alaska's immediate opportunity, however, is our North Slope natural gas.

And it is up to our Governor and this legislature to make sure it is used for the maximum benefit of our people, as mandated by our constitution.

Keep in mind that the people of Alaska...the voters who elected you...are the owners of this gas.

You and Governor Palin are the trustees of their inheritance...

...won in our statehood battle and our Statehood Act.

The companies who hold Prudhoe Bay leases have purchased the right to "produce" our gas.

That's why we call them the "producers."

But they don't own the gas.

And they are required, through the leases they hold, to sell our gas if they can earn a "reasonable profit."

So let's get started.

Governor Sarah Palin's plan is a good one.

She has thrown open the process to make sure that the State finds the very best and most timely project.

Her team has designed legislation to put the needs of Alaskans first.

It means revenues for state government.

...gas for our homes...

...gas for our businesses...

...and gas for our remote villages that are in desperate need of affordable energy.

It means making sure that the valuable gas liquids...

...are available for in-state processing to create high-paying legacy jobs for generations of Alaskans.

It means a pipeline that encourages exploration...by the producers and by other companies, large or small, that believe they can find more gas.

Belief is the key to prospecting...and it is the key to life.

Believe me; we haven't begun to explore the natural gas potential of our state.

And we need a pipeline that will accommodate the discoveries of those believers.

In my view, this does NOT mean shipping our gas through Canada.

Any Canadian route has to resolve...

... "First Nation" land claims.

Treaty problems.

A long, expensive route.

Legal issues among competing Canadian interests.

And one bidder who wants to use our gas in the Alberta tar sands to produce oil...

...an outrageous plan for trillions of cubic feet of clean Alaska gas so needed by our nation and the world.

In my view and in the view of the majority of Alaskans...

... "maximum benefit" means an All Alaska Gasline...from Prudhoe to Valdez.

It means a pipeline started sooner and completed several years sooner.

It means an energy source for our villages and cities.

It means feedstock for value-added industries and jobs in Alaska.

We addressed the same issue in the 1960s and 1970s over North Slope oil.

We had to force the oil companies to drill at Prudhoe.

When I was elected Governor in 1966, BP had already given up.

So had all the others except Atlantic Richfield.

In early 1967, I flew to Prudhoe to meet with their head geologist Harry Jamison.

And he announced that they, too, were going to pull out.

(Ad lib: "You drill, or I will.")

In 1968, that rig discovered the biggest oil field in the history of North America.

But two years later as Interior Secretary I had to take Exxon to the mat, or there wouldn't have been a trans-Alaska oil pipeline.

(Ad lib: "Or I'm going public!")

Now we have another Governor who is ready to stand up for Alaska and Alaskans.

And the people are behind her.

Ladies and gentlemen of the State Legislature, this is your moment to step forward and stand with her.

The people of Alaska want a gasline now.

Together you can make history, and Alaska will long remember this generation of leadership.

Thank you.

EXXON MOBIL

ExxonMobil AGIA Testimony
Senate Finance Committee 5-1-07

FINANCE COMMITTEE:

Co-Chairmen: Senators Bert Stedman(R) / Lyman Hoffman(D)

Vice-Chair: Senator Charlie Huggins(R)

Members: Senators Kim Elton(D); Donny Olson(D); Joe Thomas(D); Fred Dyson (R-m)

INTRODUCTION

Good afternoon Chairmen Stedman and Hoffman, Vice-Chair Huggins and members of the Senate Finance Committee. My name is Marty Massey. I am the U.S. Joint Interest Manager for ExxonMobil, a position I have held since November 2001, and I am responsible for the commercialization of ExxonMobil's gas resources in Alaska.

ExxonMobil has been in Alaska for over 50 years and has been a key player in Alaska's oil industry development. We hold the largest working interest at Prudhoe Bay (36.4%) and our current net production in Alaska is approximately 150,000 barrels per day. We have benefited from our involvement in the State of Alaska, and we believe that Alaska has benefited from this long-term relationship as well. Commercializing Alaska's North Slope gas will allow us to continue this mutually beneficial relationship for another 50 years or more.

EXXONMOBIL READY TO PROGRESS PROJECT

The Alaska Gas Pipeline Project is important to Alaska, to our nation, and to ExxonMobil. The project has the potential to generate billions of dollars in revenues for the State of Alaska, the U.S. federal government, and Canada, and could provide a stable and secure source of clean energy for Alaska and North America for decades to come. For ExxonMobil, the project is significant and has the potential to add over 1

billion cubic feet per day of gas sales, which would be more than a 10% increase to our current worldwide daily gas production. This project could also add over one billion oil-equivalent barrels to proved reserves, nearly enough to replace a year of our production. Given the significant impact this project could have on our business, we strongly support efforts to advance a pipeline project.

As an illustration of our commitment, ExxonMobil has spent more than \$180 million studying ways to commercialize Alaska gas. Since the 1970's we have evaluated LNG, gas to liquids and gas pipeline alternatives. Based on these studies we have determined that a Producer Gas Pipeline Project will result in the best value for the State, the Producers and the nation.

GENERAL FEEDBACK ON AGIA

I would now like to provide you with some feedback on AGIA. ExxonMobil embraces the concept of competition all over the world and is ready to participate in a competitive and market-based environment. AGIA, as it is written today, does not encourage market-based competition due to its prescriptive nature. In addition, AGIA does not adequately address the significant upstream issues and risks associated with the scale and magnitude of the Alaska Gas Pipeline Project. We have consistently advised the Legislature and the Administration that AGIA, in its current form, will not encourage competitive proposals and will not result in a commercially viable project. We strongly believe AGIA will not create an acceptable framework for this world-scale mega-project unless it allows the parties taking the risks to make a proposal that properly manages the risks.

After listening to the testimony over the past several weeks, it has become clear to me that one of the reasons the Administration's view of the project is so different from ours is due to flawed assumptions in the State's economic model. The Administration's model fails to recognize the integrated nature of this basin-opening project. The upstream pays for the midstream and you cannot split them apart when evaluating commercial viability. Any attempt to do so will deliver erroneous results. This issue is critically important, because if you put in place a process based on a flawed analysis, it will most likely fail. The Administration's approach is not consistent with how project economics are evaluated, and I'll expand on this later in my testimony.

To ensure the best result, the logical way forward in our opinion is for AGIA to establish the State's broad key objectives, then allow applicants flexibility so that they can compete to meet those objectives and define the parameters that are necessary to make the project commercially viable. As an illustration of what I am proposing, AGIA could allow the applicant to demonstrate how their proposal encourages exploration and development in Alaska rather than specifying the method of project access and expansion.

If you were to amend AGIA to make it objective driven, it would allow open competition, maximize the number of applicants and allow those applicants to propose innovative solutions to meet the State's needs and open the basin. The State could then evaluate the proposals and select the one that best serves Alaska's needs and assures Alaskans realize the maximum value for their resource. That process would allow ExxonMobil, the largest leaseholder of gas on the North Slope, to compete under the AGIA process

while providing the State complete flexibility on who is chosen to move the Alaska Gas Pipeline Project forward.

To understand why it's important to use broad objectives as opposed to prescribing specific requirements, it is helpful to review project risks and issues surrounding its development that will have to be addressed by an applicant.

PROJECT RISK / PRODUCER CAPABILITIES

The tendency exists for many to underestimate the size, magnitude and risks associated with this project. The Alaska Gas Pipeline Project is a world-scale undertaking with significant risks. In fact, the project would be the largest private investment in North America – significantly larger than most “model” worldwide oil and gas “mega” projects. Let me be clear, this will be a precedent setting global mega-project. As you heard last week from Mr. Fred Rich of Sullivan and Cromwell (Head of Global Project Development and Finance), this project's financing could be many times greater than the largest North American project financing to date (the Alliance pipeline). There is not really another project that compares.

Because of this size, many factors impact commercial viability, including cost and the potential for cost over-runs, gas price, schedule delays, construction conditions, and regulatory and State fiscal uncertainties. Our previous cost estimate of \$20 billion (which is in \$2001) will be substantially higher due, in part, to increasing steel prices, which have nearly doubled since 2001, and because we are experiencing hyperinflation on industry and construction labor costs. World-wide mega-projects are also placing pressure on pricing and availability of global materials, and skilled manpower. In

addition, as we have observed over many years, natural gas prices remain highly volatile.

The State of Alaska cannot anticipate how individual applicants will view the various risks I have discussed or how applicants may choose to address them. Establishing a set of rigid, prescribed terms in AGIA will not allow the flexibility needed by individual applicants to weigh and manage those risks in a way that maximizes value to the State and the applicant.

HOW PIPELINES ARE FINANCED

The way projects are financed gives some insight into who bears the risks for projects of this type and how these risks are managed. Last week you heard how pipelines are financed from Mr. Rich. Commercially-sound oil, gas, and pipeline projects traditionally have been able to obtain financing if they have strong sponsors with proven track records and the financial strength to both provide upfront lender required sponsor equity and to backstop key project commitments. For the Alaska Gas Pipeline Project, key project commitments take the form of completion support (either a full debt guarantee or additional equity overrun commitments) and firm, long-term gas transportation commitments. Firm transportation commitments are binding obligations made by companies to pay for the cost of reserving long term gas capacity as shippers on a pipeline. These commitments are made during an "open season", which is a period during which any and all prospective gas shippers can make binding commitments for a specific volume of transportation capacity.

As you may recall, Mr. Rich indicated that for a project of this scale and magnitude, financial institutions will require substantial, long-term, firm transportation commitments to provide funding. These commitments must be provided by creditworthy shippers because this tariff stream underpins the debt repayment. Furthermore, lenders not only look at the contractual commitments, but place equal importance on the underlying economics of the project. Any potential reduction in the Producer's netback is a concern to the lender since it increases the likelihood that the integrated project may not be economic, that the transportation charges are not paid, and that as a result the lenders are not repaid. Looking at this another way, the lenders are assessing how effectively the parties taking the risks are managing these risks. They will also want these risks reduced to a minimum to make sure they will get paid back. For this reason they would prefer stable fiscal regimes, project sponsors who have a proven track record of delivering mega projects on time and on budget, project sponsors with ownership in the upstream, and shippers who can support and will honor multi-billion dollar firm transportation agreements.

WHO BEARS PROJECT RISKS

That is why it is so important to understand who bears the project risks. Through the firm transportation commitments, the project development costs and the associated cost over-run risks are ultimately borne by the shippers. For this project, the shippers will be the Producers, and, directly or indirectly, the State or the State's shipper. These firm transportation commitments are valued in the tens of billions of dollars for our company alone, and could be over \$100 billion for all the shippers. Shippers must make long-term ship or pay transportation commitments and agree to pay transportation and treating rates that are ultimately based on the final cost of the pipeline and treating

facilities. The only information the shippers will know in advance of making these multi-billion dollar commitments will be a projection of the transportation charges based on the project sponsor's initial estimate of costs. The firm transportation commitments must be paid regardless of whether the shipper making those commitments actually transports gas through its reserved capacity and irrespective of the actual transportation charges. The shipper is also required to pay this reserved capacity commitment even if the market price for the gas is less than the cost of transportation.

For these reasons, the parties taking the risks for a project of this magnitude need to be able to manage those risks. The Producers, as shippers, cannot make firm transportation commitments during an open season unless they are confident the gas pipeline project can be built and operated cost effectively so that producing and shipping gas over the long-term is commercially viable.

INTEGRATED GAS PIPELINE PROJECT ECONOMICS

For this reason, AGIA needs to bring together the upstream and the midstream and provide for an integrated proposal. Any approach that evaluates them separately is flawed. Let me expand on this point. You heard last week that lenders evaluate the upstream very carefully when financing the midstream. The reason is simple – the upstream pays for the midstream. Without the commitment of capital to the pipeline by a producer-affiliate or the huge financial obligation required for firm transportation commitments to a third-party pipeline, there is no way the transportation system will be built. Thus, any analysis of the project which excludes midstream capital or the firm transportation commitments is not correct. Lenders and project sponsors do not make that mistake because they recognize that major gas pipeline projects are built on the

back of direct capital commitments or, long-term, firm transportation commitments.

Since firm transportation commitments are legally binding commitments that are the backbone of any financing and essential to funding a pipeline, it only makes sense to account for these commitments when evaluating project economics. Surprisingly, the Administration's analysis of the economics fails to incorporate these financial obligations associated with underpinning the pipeline. Let me expand on this point by asking you to think about the economics from a shipper perspective. The shipper can either make the investment in the midstream through one of its pipeline affiliates or make a commitment to a third party to build the pipeline. In the case of making the commitment to a third party, the shipper must pay the third party for the cost of the pipeline plus a return to the pipeline builder for the investment he ultimately made, not what he projected the costs to be when the commitment was made. So in this case the shipper is paying for the ultimate cost of the pipeline plus the profit the pipeline builder requires. When you think about it this way, the economics have to be worse for the shipper when he makes a transportation commitment versus directly investing in the pipeline.

Because the Administration's economic analysis is flawed, the resulting assertion that the producer's stand-alone upstream economics are robust and improved without ownership of the pipeline is absolutely incorrect. Again, the upstream pays for the midstream and it is no more complicated than that.

Since it appears AGIA is based on this flawed economic analysis, it is critical the legislature address this issue and AGIA be modified to recognize who is taking the risk, the shipper. For ExxonMobil any decision to invest will be based on integrated project

economics. It only makes sense for the State to evaluate the proposal on an integrated basis as well, because the State is in the same position as the producers receiving the bulk of its revenue from the sale of gas. Because we both receive our revenue from the sale of gas, we should be aligned on the best approach for minimizing transportation costs and maximizing netback value.

IMPORTANCE OF STATE / PRODUCER ALIGNMENT AND BENEFITS OF THE PRODUCER PROJECT

Let me now talk about the importance of alignment between the State and the Producers and the benefits of a Producer Project.

Maximizing the value to the State of Alaska and the resource holders means selecting the right design concept for this mega-project and then executing the Project to deliver the lowest possible cost and fastest possible completion. On a project of this size and magnitude, project construction and operating experience should be a significant consideration. Only a limited number of companies have demonstrated the capabilities, financial strength and arctic experience to effectively participate in and manage world-scale mega-projects.

The Producers have mega-project experience on numerous projects world-wide and have demonstrated success in meeting project objectives. A critical component of that experience is the Producers' Arctic experience in Alaska and throughout the world. ExxonMobil's arctic experience is extensive - over 40 years - with developments in multiple types of arctic environments. Large projects with significant complexity in harsh environments are what we do and we are extremely qualified to take on this work.

ExxonMobil's global project development company is unique within industry and leads the industry in project cost and schedule performance.

ExxonMobil has also demonstrated world-class leadership in safety, health and environmental performance. ExxonMobil is a leader in operating efficiency and a pacesetter in operating safety.

In addition to our project and operational excellence, ExxonMobil has the financial strength to make this mega-project a reality. ExxonMobil has consistently maintained one of the strongest financial positions of any company in the world. We are one of just a few public companies to maintain the highest credit rating from Standard and Poor's (AAA) and Moody's (Aaa), and we have done so for each of the last 88 years. Our financial strength minimizes the likelihood that external financing requirements will significantly delay the project timeline, even in times of financial market turmoil.

It is important to remember that the Alaska Gas Pipeline Project is a basin-opening project that will benefit the State and the oil and gas industry in Alaska for decades into the future. Basin-opening projects throughout the world have progressed and been successful when there is alignment between the host government and the leaseholders. The Producers and the State both want a pipeline project to commercialize the known ANS gas resources and open the basin to gas exploration.

We believe a Producer gas pipeline project will result in maximum value to the State and the Producers. The reason is the Producers and the State have maximum incentive to control costs. Low capital and operating costs, which result in lower treating

and transportation costs, and access to premium market price, result in higher netback value on the gas. It's important to keep in mind that the State will receive the majority of its revenue from the value of gas sales via revenue received under its lease royalty agreements and from production taxes, which are valued based on the netback received from the gas.

Third-party owners do not share the same incentives in that they actually benefit from increased capital costs.

Based on the demand for workers that this Project will generate, Alaskans are obviously key to successful project execution. Both the State and the Producers want Alaskans to benefit from the many job opportunities that will exist.

We believe that financial strength, experience and the ability to get the job done should be critical components of any evaluation of proposals. When you consider carefully the options available, a Producer pipeline will provide maximum value to the State of Alaska.

IMPORTANCE OF PREDICTABLE AND DURABLE FISCAL TERMS

I would now like to talk about fiscal predictability and its importance for a mega-project such as the Alaska Gas Pipeline Project. For ExxonMobil to progress this mega-project and mitigate its inherent risks, we will need to work together with the State on some very important fiscal issues. Because of the nature and magnitude of the risks associated with this Project, fiscal terms that are predictable and durable are necessary. This is a common thread for any mega-project investments. In all such cases, we are

willing to take geologic risks, we are willing to take cost risks, and we are willing to take commodity price risks, but we cannot take the risk of fiscal terms changing. Let me expand on this further. The first two risks, geologic and cost risk are risks for which we have developed an industry leading expertise to manage. This is what we do day after day at ExxonMobil. Market risk is inevitable in a commodity business such as oil and gas and we manage that by attempting to ensure that we deliver those products into the highest value market at the lowest cost. However, the risk of a change in fiscal terms is of a completely different nature and completely outside our control. We must have agreements that will allow us to develop this mega-project under predictable and durable terms, so that we can make an investment decision with an adequate degree of certainty. This does not mean that taxes cannot change over the life of the project. Predictability means that the State's tax and take terms are sufficiently understood that they can be defined and predictably modeled over time for purposes of evaluating the overall project economics. If fiscal terms can be changed in unpredictable ways in the future, then we are not able to make a well founded investment decision on behalf of our shareholders, nor will lenders be as confident in providing financing for a project of this size.

The Alaska Gas Pipeline Project will require massive investments, billions of dollars, to be made over a period of many years before any revenue is generated from those investments. As a result, increases in taxes on oil and gas related activities during the life of the project could significantly impact the commercial viability of the project, offset the benefits of taking on a project of this magnitude, and could increase lender concern. Because fiscal terms could be modified under the proposed AGIA legislation, it does not provide the fiscal predictability necessary to ensure a commercially viable project.

It is important for the State to recognize that for mega-project developments, governments do grant long term fiscal stability. These contracts include fiscal stability protection that in some cases runs for the length of the contract and in other cases runs for 40 years or more.

AGIA should allow applicants to put forward their best proposal on what is required to make the project commercially viable, which will allow the State the opportunity to consider those proposals that have the best chance of actually delivering an Alaska gas pipeline.

ADDITIONAL FEEDBACK ON AGIA

I would like to now give some specific feedback on AGIA which is based on the conclusions and principles I've mentioned. I will also outline some additional thoughts on how AGIA should be modified to ensure the best chance of a successful result and allow the State to maximize value. As I previously stated, alignment between the State and the leaseholders is essential to a basin opening project of this magnitude. Therefore, establishing the right approach going forward is the most important activity for the project at this time. To be able to calculate the revenue from the upstream we must have clarity on the taxes and royalty from our oil and gas operations and the taxes and royalties must be set at a level that makes the project viable. In order to ensure a viable project from the outset, we believe this must be done at the beginning.

ExxonMobil recognizes the importance to the State, explorers and others of having access to the project so their gas can be treated and transported to markets. To ensure

that a project is constructed, it must be commercially attractive to shippers at the time they make their initial firm transportation commitments. Shippers, particularly those who must invest substantially to explore for, develop and produce gas resources, will not be willing to enter into long-term financial commitments for the transportation of gas if they believe there is a substantial likelihood that their initial rates will be significantly increased in the future in order to accommodate expansions.

Under the Alaska Natural Gas Pipeline Act, Congress struck what it determined was the proper balance between encouraging investment by those willing to commit to pay for initial capacity and encouraging exploration by providing an opportunity for future access to the pipeline. Because of the unique nature of the Alaska gas pipeline project, FERC approved unprecedented policies to enable a FERC-mandated expansion to benefit explorers.

In addition, the pipeline entity should not be required to accept a FERC certificate irrespective of FERC imposed conditions.

Under AGIA, the proposed upstream inducements would require significant modification to ensure a commercially viable project is obtained. In fact, we do not believe it is practical to address these terms in legislation. Therefore, it would be better for AGIA to not prescribe specific upstream terms and allow applicants to make proposals to address those terms.

AGIA also prescribes activities that must be completed within a specific timeframe or date certain. Setting arbitrary target dates is not consistent with good project

management practices. Further, milestones are not necessary if the project is commercially viable. The Producers will progress the project at the maximum prudent pace, consistent with the industry proven "stage-gate" process for project development – there is no reason to do otherwise.

In general, AGIA lacks specifics on key fiscal terms and other requirements. To address these gaps, AGIA gives commissioners broad authority to adopt additional requirements and establish regulations. Not knowing the requirements now creates significant uncertainty.

Finally, because of the complexity and risk associated with this project, the parties must have an efficient and impartial means of handling disagreements when they arise. We believe project related agreements should provide for binding neutral arbitration as the mechanism for resolving disputes. Binding neutral arbitration is widely utilized in U.S. and international commercial agreements and is not a new concept with the State of Alaska. Arbitration is the method used to resolve disputes under the State's Royalty Settlement Agreements.

CONCLUSION

In closing, I would like to reiterate that ExxonMobil is committed to moving the Alaska Gas Pipeline Project forward. However, we cannot move the project forward if it is not commercially viable. AGIA as written does not provide for a commercially viable project. The Administration's stated goal for AGIA is to increase competition through an open and transparent process. However, in its current form, AGIA will result in less competition because it fails to adequately address the issues raised by those parties

who will ultimately pay for the project. It also appears AGIA is based on flawed economic assumptions. It is critical that the legislature and administration address these problems in AGIA or we will end up with a process that sets unrealistic expectations and results in disappointment and failure. In addition, the existing prescriptive terms in AGIA will preclude ExxonMobil from being able to make an open, competitive and conforming proposal; thus, the State will be denied the opportunity to even consider terms from the party holding the largest discovered gas resource and has the capability to deliver a successful project.

ExxonMobil possesses the financial strength and project experience required to make this project a success. We are ready to work with the Administration and the Legislature to establish a process that recognizes the integrated nature of the project and mitigates the risks I've discussed to allow the project to progress. We suggest AGIA be amended to provide for a broad objective driven process that sets out what the State wants to achieve and allows each applicant to propose how best to meet those objectives and identify what is required from the State to advance the project. This process will secure more viable applications, create more competition, afford the State the opportunity to secure the most value and actually get the pipeline built. We are ready to participate in a competitive, open and transparent process as I've described, but unless AGIA is modified we will not be able to participate.

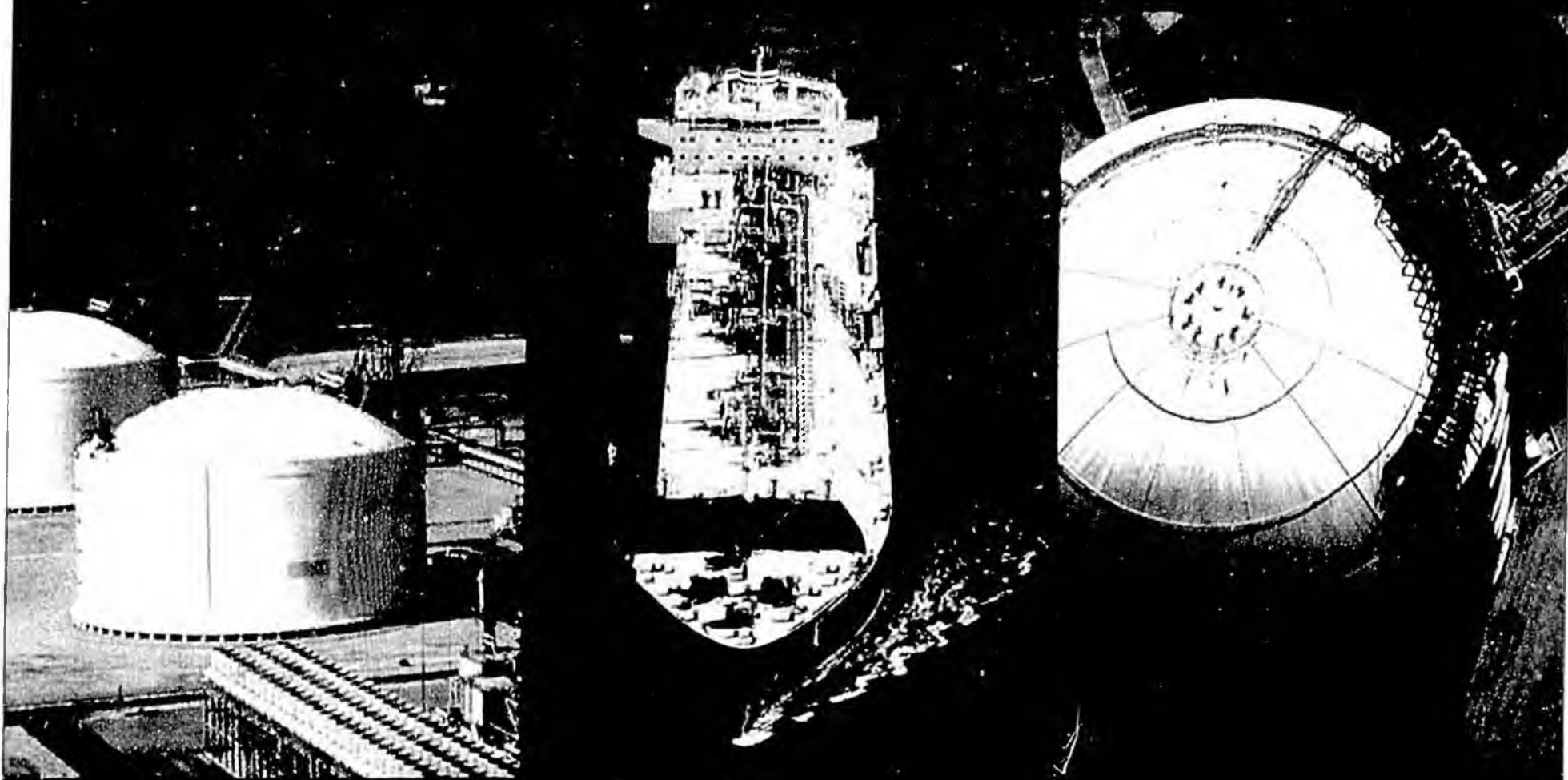
What we are struggling to understand is why the State is insisting on such a prescriptive way forward. AGIA should allow all interested parties to submit a conforming bid so that the people of the State of Alaska have the opportunity to see and compare all of the bids put forward to build the Alaska gas pipeline.

Thank you for your attention and for the opportunity to address this important topic today. I look forward to addressing your questions.

BG N. AMERICA

BG North America

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David Keane • Juneau • 3 – 4 May 2007

Legal Notice



The following presentation contains forward-looking statements concerning BG Group's operations, financial performance, strategy, outlook and growth opportunities. Words such as "believes", "expects", "anticipates", "intends" or similar expressions are intended to identify such forward-looking statements.

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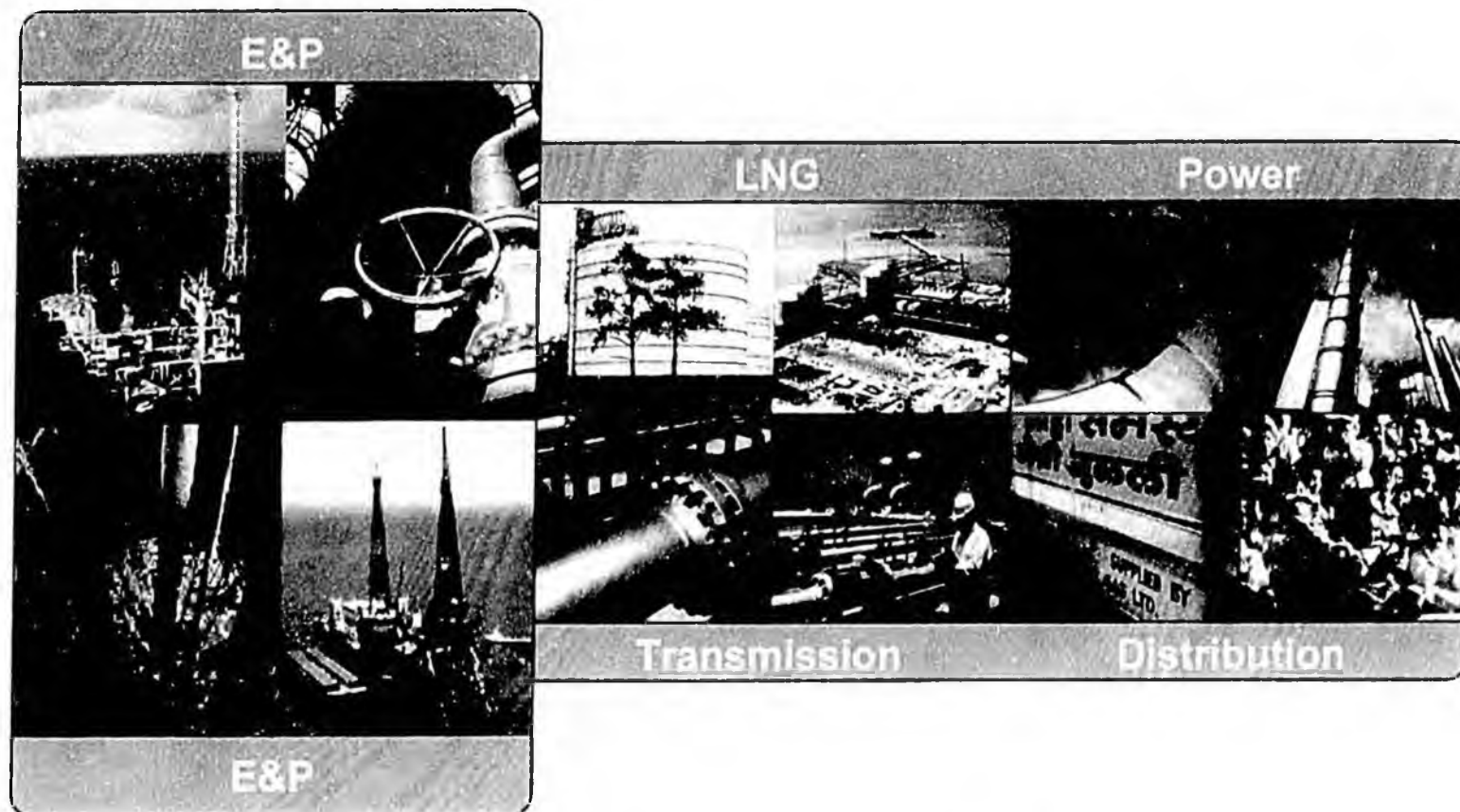
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BG Group snapshot



- A world leader in natural gas
- A FTSE 20 company, listed on London and New York Stock Exchanges
- Market capitalisation over \$49 billion
- Production circa 70% gas; 30% oil
- Employs approx 4,766 staff; 64% outside UK, at year end 06

Business model



Resources



Enabling



Markets

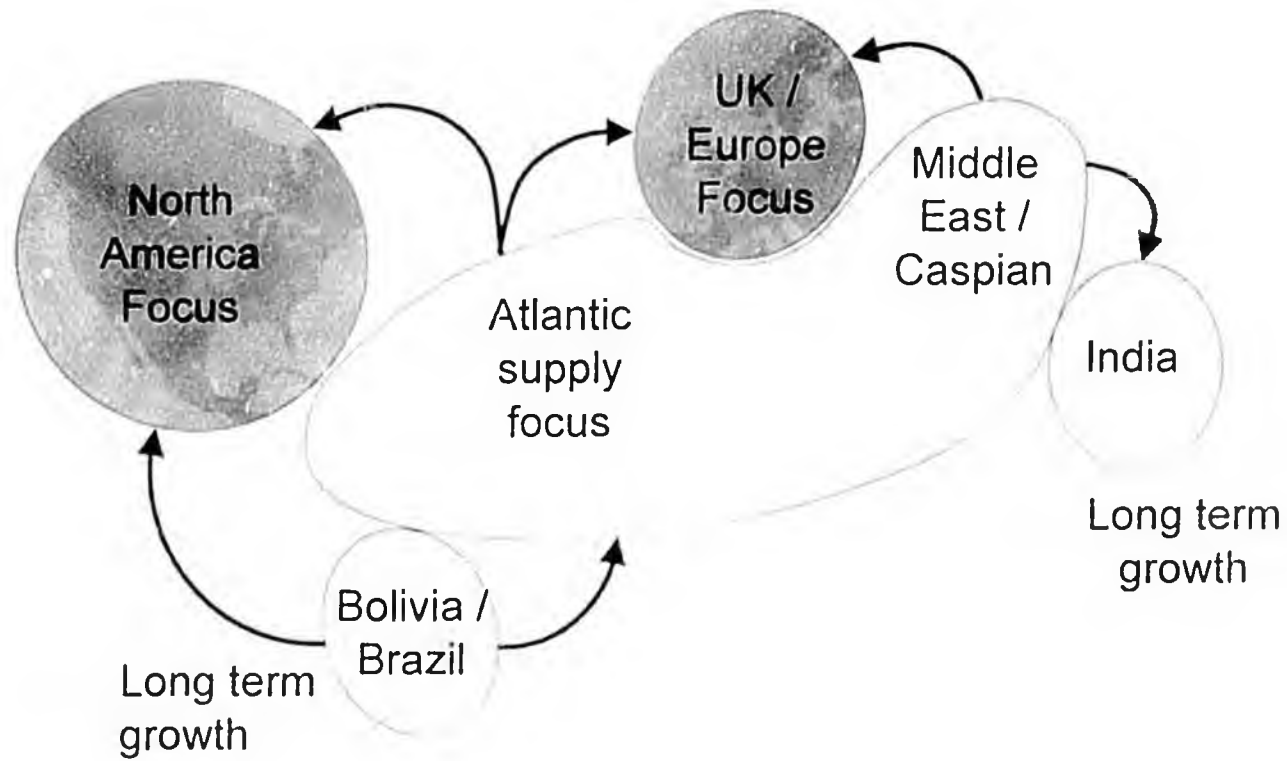
A global natural gas business

Countries of current operation



Active in over 25 countries

Gas market focus

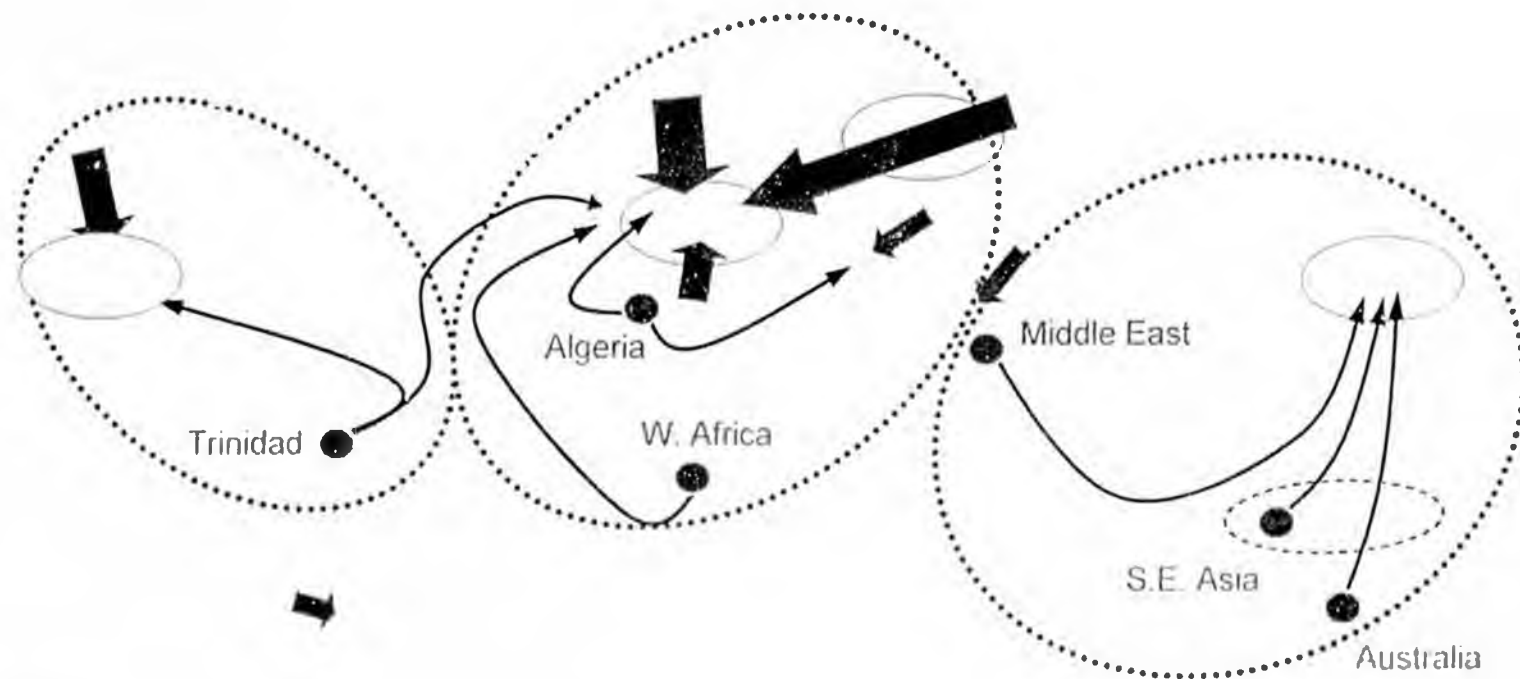


● Developed Market

○ Developing Market

○ Supplies

Global gas trade – the recent past



Markets

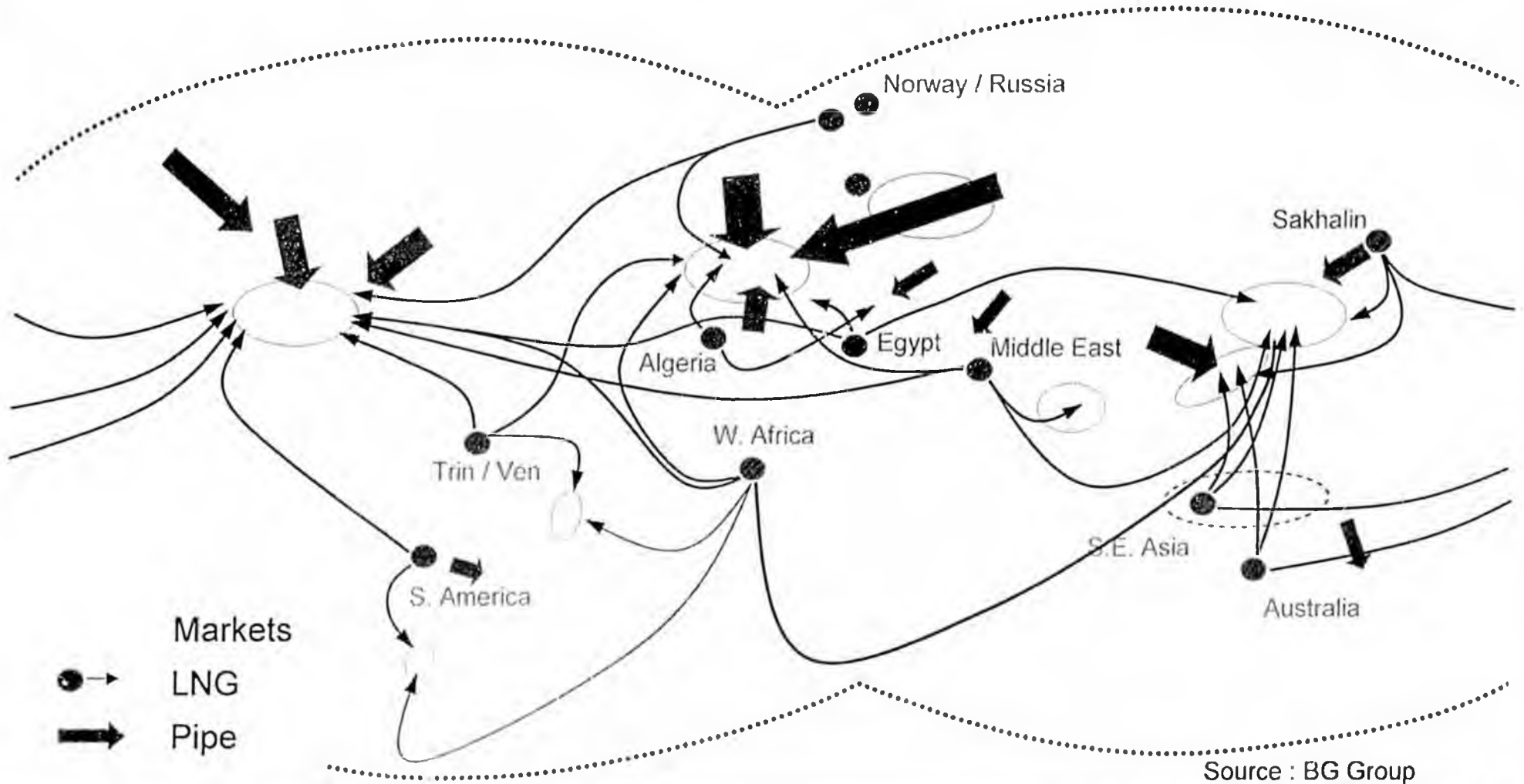
● → LNG

➔ Pipe

Source : BG Group

Industry evolution: from three main trade regions...

Global gas trade – gradually evolving

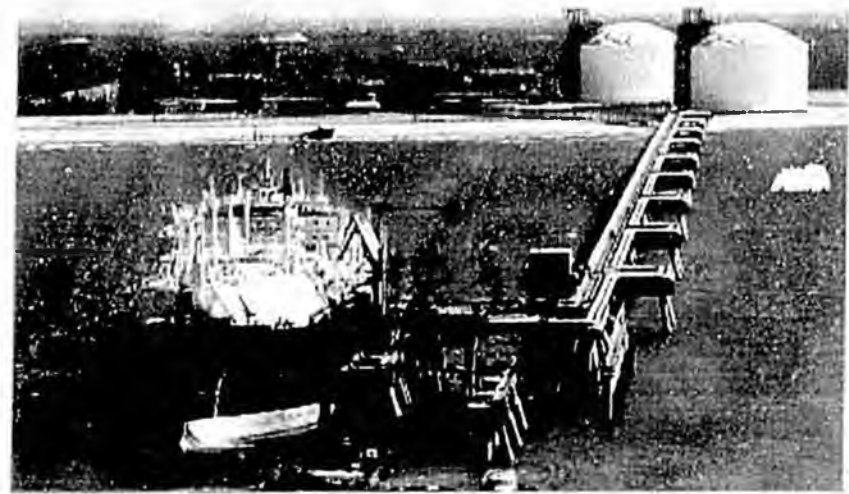


... to a globalising gas industry

BG LNG supply projects



- Train 1: 3.1 mtpa – 1999 (BG 26.0%)
- Train 2/3: 6.6 mtpa – 2002 (BG 32.5%)
- Train 4: 5.2 mtpa – 2005 (BG 28.9%)
- BG initiated project and was instrumental in Phillips design
- Single train start-up



- Train 1: 3.6 mtpa – 2005 (BG 35.5%)
- Train 2: 3.6 mtpa – 2005 (BG 38.0%)
- Egypt's largest project financing to date
- Unique project commercial structure
- Utilized lessons learnt from ALNG

Atlantic LNG – total export capacity of 15 mtpa in just 7 years

US market summary



- Lake Charles import terminal
 - Phase I expansion Q4 2005
 - 1.2 bcf/d sustainable send out
 - 1.5 bcf/d peak send out
 - 9.1 bcf total storage
 - Phase II expansion Q2 2006
 - 1.8 bcf/d sustainable send out
 - 2.1 bcf/d peak send out
- Elba Island import terminal
 - 0.45 bcf/d sustainable send out
 - 0.67 bcf/d peak send out
 - 4.0 bcf storage capacity
 - 1.17 bcf/d firm send out & 8.2 bcf storage after second expansion



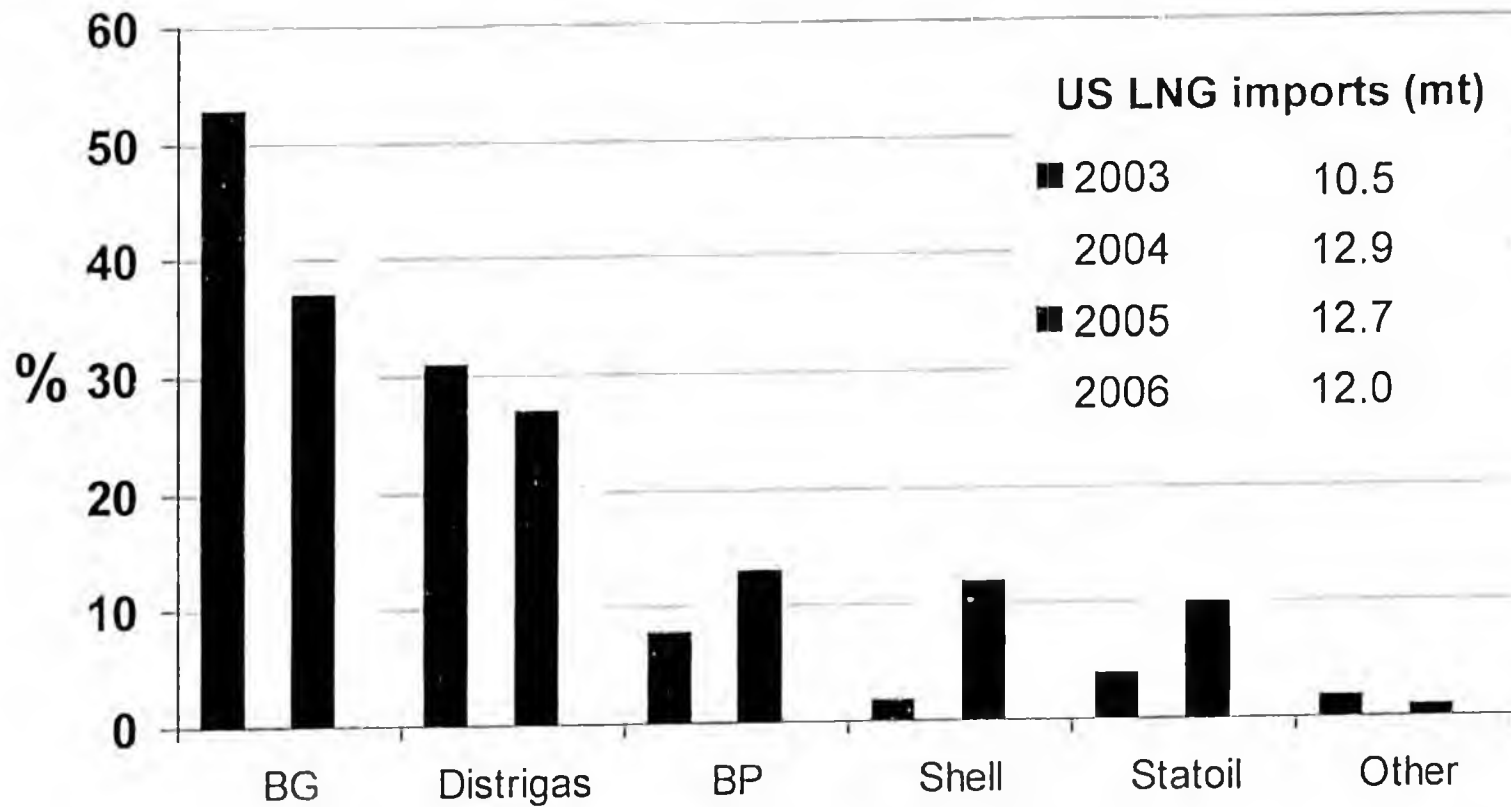
Lake Charles



Elba Island

LNG imports – 2003 to present

Share of US LNG imports



Source : DOE

BG – the largest US LNG importer in 2003, 2004, 2005 and 2006

Alaska Gasline Inducements Act



- BG is investing in Alaska
 - Exploring along North Slope and ENS
- BG supports AGIA
 - The process is fair, open and inclusive
 - BG supports the mandatory provisions on access and rates
 - Will encourage new explorers to invest in Alaska
- AGIA provides:
 - Opportunities for input by all interested parties
 - Several opportunities for legislators to provide input:
 - Initial legislation
 - When pipeline applications are submitted
 - Legislative review of the winning application

Alaska Gasline Inducements Act



- AGIA addresses BG's concerns by:
 - Providing a level playing field for all participants
 - Providing certainty that when we discover gas, we will have access to pipeline capacity
 - Providing a mechanism to ensure just and reasonable rates
- AGIA creates competition to build the pipeline and possibly an LNG export facility
- AGIA spells out what is required of any applicant
- Clearly identifies the State's "must haves"
- BG's "must haves" are:
 - Regulated pipeline
 - Open access provisions in the tariff
 - Just and reasonable rates

Key messages



- AGIA is good for Alaska and for the natural gas industry
- AGIA will encourage the continued development of Alaska's untapped natural gas reserves
- AGIA's purpose:
 - "...to encourage expedited construction of a natural gas pipeline that
 - (1) Facilitates commercialization of North Slope gas resources of the state;
 - (2) promotes exploration and development of oil and gas resources on the North Slope;
 - (3) maximizes benefits to the people of the state from the development of oil and gas resources in the state; and
 - (4) encourages oil and gas lessees and other persons in the state to commit natural gas from the North Slope to a gas pipeline system for transportation to markets in this state or elsewhere."

BG North America

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FEDERAL

PRESENTATIONS

David R. Hill
General Counsel
U.S. Department of Energy

David R. Hill is the General Counsel of the United States Department of Energy (DOE). President Bush nominated Mr. Hill to this position on April 14, 2005; he was confirmed by the United States Senate on July 28, 2005, and sworn in by Secretary of Energy Samuel W. Bodman on August 10, 2005.



As General Counsel, Mr. Hill is responsible for providing legal advice, counsel and support to the Secretary of Energy, the Deputy Secretary of Energy, and principal Secretarial officers at the Department. He is charged by the Secretary of Energy with the authority to determine the Department's authoritative position on any question of law, and is the Department's Regulatory Policy Officer.

Prior to becoming General Counsel, Mr. Hill served as Deputy General Counsel for Energy Policy at DOE from March 2002 to August 2005. Before joining the Department, Mr. Hill was a partner in the Kansas City, Missouri law firm of Blackwell Sanders Peper Martin, and before that was a partner with Wiley, Rein & Fielding in Washington, D.C. In private practice, Mr. Hill's work covered a wide range of regulatory, litigation and corporate matters, including regulatory matters before the Federal Energy Regulatory Commission, the Environmental Protection Agency, and other federal and state agencies. Earlier in Mr. Hill's career, he served as a law clerk for Judge James K. Logan of the U.S. Court of Appeals for the Tenth Circuit, was an associate at the Washington, D.C. law firm of Wilmer, Cutler & Pickering, and served as associate counsel to the U.S. House of Representatives Committee on Agriculture.

Mr. Hill is a native of Missouri and received his bachelor's degree with honors from the University of Missouri-Columbia College of Agriculture in 1985. He received his law degree with honors in 1988 from the Northwestern University School of Law in Chicago, where he served as editor-in-chief of the Northwestern University Law Review. Mr. Hill and his wife Kristina reside in Alexandria, Virginia with their three daughters.

James A. Slutz
Deputy Assistant Secretary for Oil and Natural Gas
Office of Fossil Energy
U.S. Department of Energy



Jim Slutz currently serves as the Deputy Assistant Secretary for Oil and Natural Gas in the Office of Fossil Energy of the U.S. Department of Energy. In this position, Mr. Slutz is responsible for administering domestic and international oil and gas programs, including research and development, policy analysis, and natural gas import and export licensing. The oil and natural gas office leads DOE's LNG program which involves the analysis of safety and other technical issues.

Prior to his appointment in June 2002, Mr. Slutz served as the Director, Indiana Division of Oil and Gas, with responsibilities for overseeing oil and natural gas exploration and production, natural gas storage, and leasing of state land for exploration. From the period of 1981 to 1992, Mr. Slutz worked for the Ohio Department of Natural Resources, Division of Oil and Gas, where he served in managerial and technical positions.

Mr. Slutz holds an MBA degree from The Ohio State University, Fisher College of Business, and a B.S. degree from The Ohio State University, School of Natural Resources.

TRANSMITTAL
LETTER

SARAH PALIN
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March 2, 2007

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that facilitates commercialization of Alaska's North Slope natural gas resources and promotes continued exploration and development of those resources. The bill will induce expeditious construction of a natural gas pipeline to transport Alaska's North Slope natural gas to market using a process that is fair, transparent, and competitive. Our nation's energy markets are hungry for Alaska's gas resources, and Alaskans have waited for decades to see these resources developed.

Earlier this week I had several successful meetings with federal officials in Washington, D.C., including the distinguished members of Alaska's Congressional delegation. These meetings affirmed for me that it is time for Alaska's natural gas resources to be developed in order to meet the energy demands of our nation. The Chairman of the Federal Energy Regulatory Commission, Joseph Kelliher, made the statement that my plan does "represent the best hope for building a pipeline to bring Alaska's vast natural gas resources to the energy consuming lower 48 states."

This bill sets forth the following: (a) midstream inducements to encourage companies to identify development benchmarks and build the gas pipeline; (b) upstream inducements that will encourage the holders of North Slope gas reserves to commit their gas to the project; (c) terms that an application must contain to qualify to compete for an exclusive license to the midstream inducements; (d) evaluative criteria by which competing applications will be measured; (e) a public process for reviewing the applications; (f) a procedure by which the applications will be reviewed and a notice of intent to issue a license that will be transmitted to the legislature; and (g) auditing and enforcement tools to protect state contributions and interests.

COMMITTEE COPY

SENATE BILL NO. 104

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March 2, 2007

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The midstream inducements will include a matching contribution of up to \$500 million paid out during the highest risk phase of the project, which is the period the licensee is completing the work necessary to obtain a certificate from either the Federal Energy Regulatory Commission (FERC) or the Regulatory Commission of Alaska (RCA). The licensed project will also benefit from a state program that provides training to Alaskans for gas pipeline jobs.

The bill offers explicit requirements that state permits and authorizations relating to the pipeline be expedited and coordinated in order to avoid complicated, time-consuming and conflicting state and federal permitting processes. In order to facilitate a successful project and an expedient process, the bill will empower the governor to appoint a gas pipeline coordinator to oversee the state permitting process and work with the federal pipeline coordinator to integrate the state and federal permitting processes.

The upstream inducements will encourage those who hold gas reserves under lease to commit that gas to the pipeline licensed under the bill. Under the "royalty inducements," the state will develop regulations to provide predictability in the determination of royalty value and the exercise of its right to take its royalty share in kind (as gas) or in value (as money). A "gas production tax exemption" will give shippers of gas an exemption from production tax equal to the difference between the tax obligation based upon the tax rate in affect at Open Season, and any higher rate that becomes effective in the ten years following commencement of the gas pipeline commercial operations. These provisions address leaseholders' concerns that they need to know how their royalty and tax obligations will be measured for a reasonable period into the future before they irrevocably commit to ship their gas at an Open Season. The benefits will be available to all leaseholders who commit gas to the licensed gas pipeline project during the initial Open Season.

The bill will accomplish six primary goals: (1) initiate an application process open to any project sponsor; (2) take clear steps to promote the construction of a gas pipeline as quickly as possible; (3) ensure the North Slope basin is open to long-term gas exploration and development; (4) ensure reasonable tariff rates are available to transport Alaska's natural gas to market; (5) ensure North Slope natural gas is available to Alaskans; and (6) ensure Alaskans are trained and ready for the natural gas pipeline jobs and those jobs are made available to Alaskans.

To accomplish the first goal, applications will be welcomed from any entity or a coalition of entities interested in constructing the gas pipeline. However, only those

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applications that fulfill the "qualifying application requirements" will be considered for the license to the midstream inducement package.

To accomplish the second goal, the bill will require that applications provide a detailed description of the applicant's proposed project, including route, size, design capacity, timeline and budget. Applicants must agree to hold an Open Season (to solicit firm commitments to ship gas on the pipeline) within three years of getting the license, and will detail steps toward obtaining a Certificate of Public Convenience and Necessity from FERC or the RCA. The state gas pipeline coordinator will also ensure an expeditious regulatory process.

To accomplish the third goal, applicants must commit to expanding the pipeline project when new gas is available. There is currently more than 35 trillion cubic feet (Tcf) of proven reserves of natural gas on Alaska's North Slope. However, most geologists agree that there is many times that amount of North Slope gas awaiting discovery. By ensuring that the pipeline will be expanded when more gas is discovered and ready to be shipped, the bill assures that Alaska's gas will serve the nation's energy needs for decades. Therefore, applicants must commit to evaluate the demand for pipeline expansion at least every two years, and to expand when there is sufficient quantities of gas to ensure an economic expansion. The costs of any expansions will then be collected through "rolled-in" rates that pass those expansion costs on to all shippers in the gas pipeline. The AGIA will cap the cost of rolled-in price increases at no more than 15 percent of initial rates, in response to concerns regarding the predictability of tariff rates.

To accomplish the fourth goal, applicants will have to commit to propose and support tariff rates that would produce the lowest reasonable transportation costs in order to produce the highest price at the wellhead. Minimizing transportation costs result in the state maximizing its royalty revenue stream as well as that of the producers.

To accomplish the fifth goal, applicants must provide for a minimum of five off-take points in Alaska. This, in conjunction with the "distance sensitive tariff rates", will allow gas to be withdrawn from the pipeline at reasonable transportation costs in order to serve residential and business needs across the state.

To accomplish the sixth goal, applicants must commit to establishing a gas pipeline project headquarters in Alaska, establishing hiring offices in Alaska, and hiring qualified Alaskans, thus giving Alaskans access to the thousands of new pipeline jobs.

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The bill requires the application process to commence no more than three months after the bill passes, when the commissioners of Natural Resources and Revenue issue a request for applications (RFA). Applications will be due under a deadline established by the commissioners; however, our intention is to allow applicants three (3) months to respond to the RFA.

Applicants will be deemed "qualified" by having fulfilled the bill's requirements. Qualified applications will then be evaluated by the commissioners of Natural Resources and Revenue to determine which application best meets the stated goals. Before issuing a written determination, the commissioners will publicly release complete applications and take comments for 60 days. Applicants could apply to keep confidential the proprietary information or trade secrets included in their applications.

The bill sets forth "evaluative criteria" to facilitate the selection process. The evaluative criteria are: the proposed project timeline, the proposed method to manage cost overruns, the proposed tariff rates, the ability of the project design to accommodate expansion, the percentage of the state matching fund that will be used, whether the project is feasible, and the applicant's ability to perform. The commissioners will publish a notice of intent to issue a natural gas pipeline project license with written findings, and forward the notice of intent, with findings and supporting documentation, to the legislature. The legislature will have 30 days to disapprove the commissioners' proposed action.

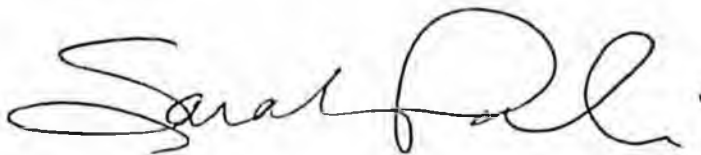
The bill also provides that the licensee must commit to spend the money necessary to build the pipeline within one year of receiving a certificate from the FERC or the RCA if the project has credit support adequate to finance construction of the project. If necessary, the licensee would have an additional four years to obtain financing, or transfer the certificate and all associated work product to another licensee designated by the state. If the project becomes uneconomic after the license is awarded, the bill provides a process for relinquishing the license that will enable the state to recover the benefit of its investment in the project and issue another license. To encourage the licensee to spend its money working toward Open Season, and certification, and building the gas pipeline project, the state will agree that if it provides financial benefits to another company to encourage the construction of a competing pipeline project after the license is issued, the licensee will be entitled to recover from the state three times the amount it spent on the project.

The bill identifies quantifiable values the state is willing to commit to encourage early and appropriate development of an Alaska Gas Pipeline project. It also identifies the elements necessary to protect the state, and the nation's, long-term interests in

The Honorable Lyda Green
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development of additional gas reserves. The bill protects the state from untenable risks and will induce expedited construction of a gas pipeline that powers the state and the nation. I urge your prompt and favorable action on the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah Palin". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Sarah Palin
Governor

TIMELINES

Estimated Project Timeline for a Gas Pipeline

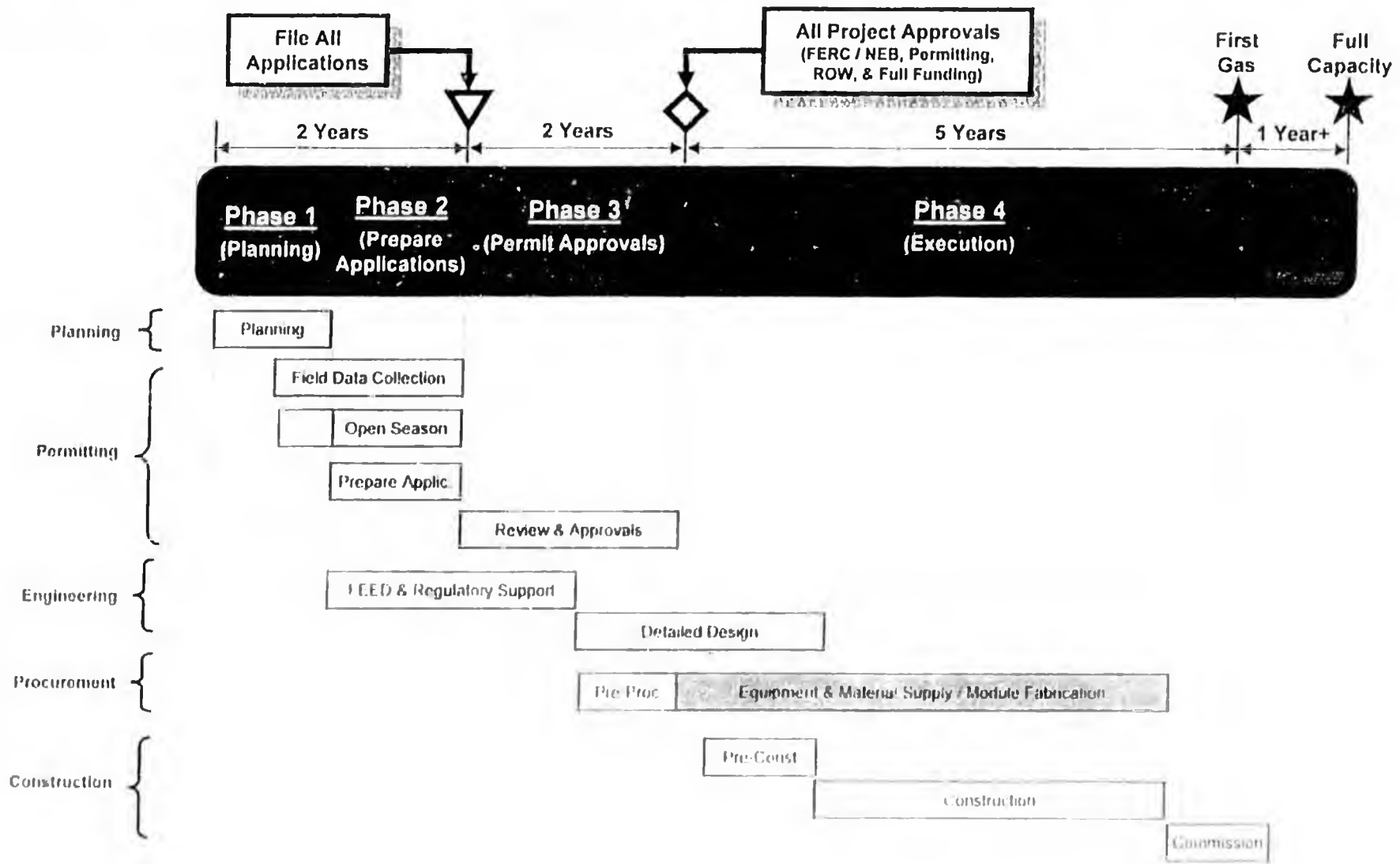
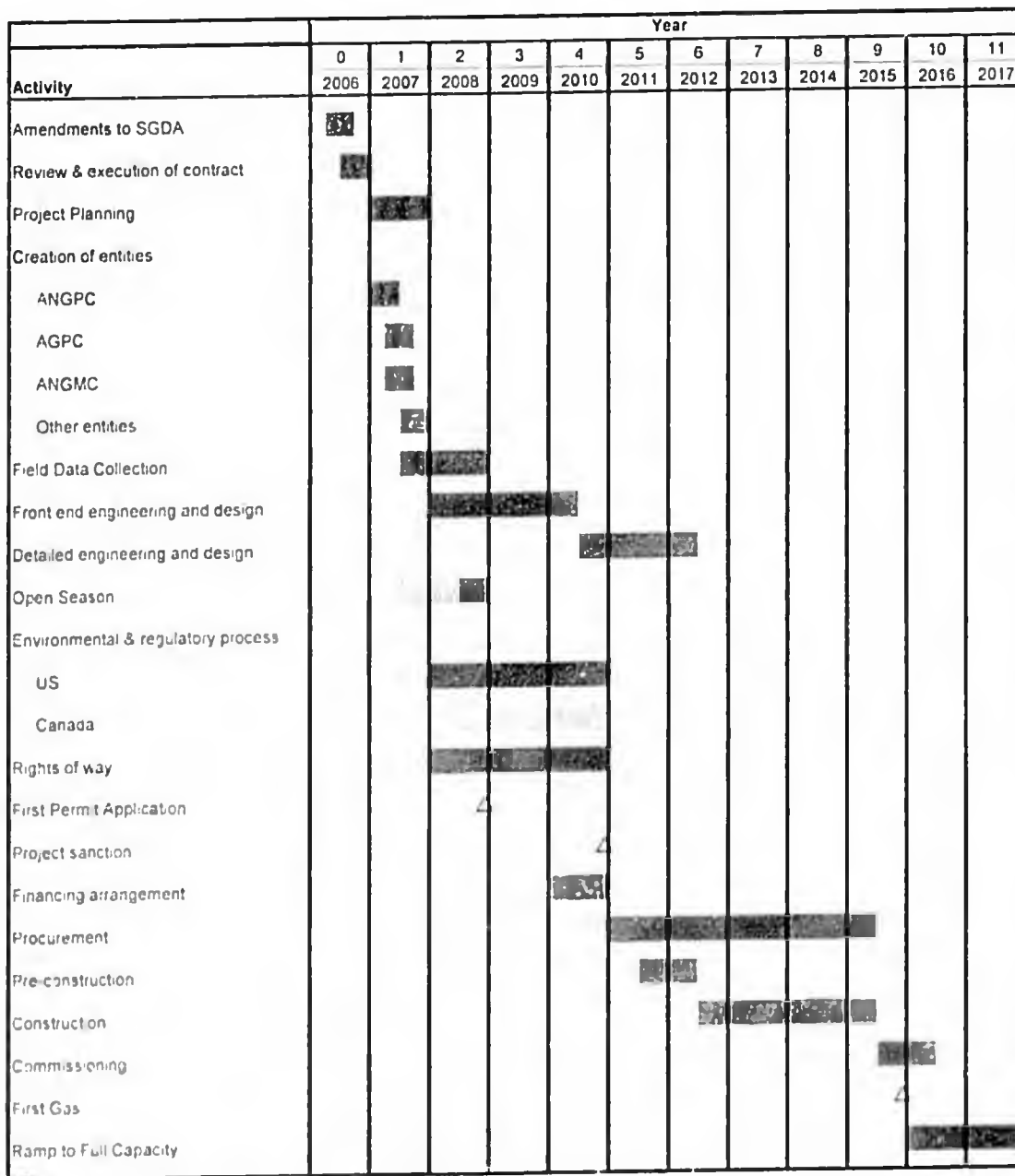


Figure ES-4. Conceptual Project Timeline



Source: Adapted from the sponsor group's May 10, 2006 project summary.

AK

STRANDED

GAS ACT

Chapter 43.82. ALASKA STRANDED GAS DEVELOPMENT ACT

Article 01. CONTRACTS FOR PAYMENTS IN LIEU OF OTHER TAXES

Sec. 43.82.010. Purpose.

The purpose of this chapter is to

- (1) encourage new investment to develop the state's stranded gas resources by authorizing establishment of fiscal terms related to that new investment without significantly altering tax and royalty methodologies and rates on existing oil and gas infrastructure and production;
- (2) allow the fiscal terms applicable to a qualified sponsor or the members of a qualified sponsor group, with respect to a qualified project, to be tailored to the particular economic conditions of the project and to establish those fiscal terms in advance with as much certainty as the Constitution of the State of Alaska allows; and
- (3) maximize the benefit to the people of the state of the development of the state's stranded gas resources.

Sec. 43.82.020. Contracts for payments in lieu of other taxes and for royalty adjustments.

The commissioner may, under this chapter, negotiate terms for inclusion in a proposed contract with a qualified sponsor or qualified sponsor group providing for

- (1) periodic payment in lieu of one or more taxes that otherwise would be imposed by the state or a municipality on the qualified sponsor or members of the qualified sponsor group as a consequence of the sponsor's or group's participation in an approved qualified project under this chapter; and
- (2) certain adjustments regarding royalty under AS 43.82.220.

Article 02. QUALIFICATION AND APPLICATION PROCEDURES

Sec. 43.82.100. Qualified project.

Based on information available to the commissioner, the commissioner may determine that a proposal for new investment is a qualified project under this chapter if the project

- (1) principally involves
 - (A) the transportation of natural gas by pipeline to one or more markets, together with any associated processing or treatment;
 - (B) the export of liquefied natural gas from the state to one or more other states or countries;or

(C) any other technology that commercializes the shipment of natural gas within the state or from the state to one or more other states or countries;

(2) would produce at least 500,000,000,000 cubic feet of stranded gas within 20 years from the commencement of commercial operations; and

(3) is capable, subject to applicable commercial regulation and technical and economic considerations, of making gas available to meet the reasonably foreseeable demand in this state for gas within the economic proximity of the project.

Sec. 43.82.110. Qualified sponsor or qualified sponsor group.

The commissioner may determine that a person or group is a qualified sponsor or qualified sponsor group if the person or a member of the group

(1) intends to own an equity interest in a qualified project, intends to commit gas that it owns to a qualified project, or holds the permits that the department determines are essential to construct and operate a qualified project; and

(2) meets one or more of the following criteria:

(A) owns a working interest in at least 10 percent of the stranded gas proposed to be developed by a qualified project;

(B) has the right to purchase at least 10 percent of the stranded gas proposed to be developed by a qualified project;

(C) has the right to acquire, control, or market at least 10 percent of the stranded gas proposed to be developed by a qualified project;

(D) has a net worth equal to at least 10 percent of the estimated cost of constructing a qualified project;

(E) has an unused line of credit equal to at least 15 percent of the estimated cost of constructing a qualified project.

Sec. 43.82.120. Applications.

(a) A qualified sponsor or qualified sponsor group may submit to the department an application for development of a contract under AS 43.82.020 evidencing that the requirements of AS 43.82.100 and 43.82.110 are met. The application must be submitted in the manner and form and contain the information required by the department.

(b) Along with an application submitted under (a) of this section, an applicant shall submit a proposed project plan for a qualified project that contains the following information based on the information known to the applicant at the time of application:

(1) a description of the work accomplished as of the date of the application to further the project;

(2) a schedule of proposed development activity leading to the projected commencement of commercial operations of the project;

(3) a description of the development activity proposed to be accomplished under the proposed project plan;

(4) a description of each lease or property that the applicant believes to contain the stranded gas that would be developed if the project was built;

(5) a description of the methods and terms under which the applicant is prepared to make gas available to meet the reasonably foreseeable demand in this state for gas within the economic proximity of the project during the term of the proposed contract, including proposed pipeline transportation and expansion rules if pipeline transportation is a part of the proposed project;

(6) a detailed description of options to mitigate the increased demand for public services and other negative effects caused by the project;

(7) a detailed description of options for the safe management and operation of the project once it is constructed;

(8) other information that the commissioner of revenue, in consultation with the commissioner of natural resources, considers necessary to make a determination that

(A) the work accomplished as of the date of application, the schedule of proposed development activity, and the development activity proposed to be accomplished under the proposed project plan reflect a proposal for diligent development on the part of the applicant;

(B) the proposed project plan does not materially conflict with the obligations of a lessee to the state under a lease or under a pool, unit, or other agreement with the state; and

(C) the proposed project plan describes satisfactory methods and terms for accommodating reasonably foreseeable demand for gas in this state within the economic proximity of the project during the term of the proposed contract.

(c) The requirements of (b) of this section do not diminish the obligations of a qualified sponsor or member of a qualified sponsor group to the state or restrict the authority of the commissioner of revenue or the commissioner of natural resources under any other law or agreement relating to a plan of development for a lease, pool, or unit.

Sec. 43.82.130. Qualified project plan.

A proposed project plan submitted under AS 43.82.120 may be approved as a qualified project plan under AS 43.82.140 if the proposed project plan

- (1) reflects a proposal for diligent development of the project on the part of the applicant;
- (2) does not materially conflict with the obligations of a lessee to the state under a lease or under a pool, unit, or other agreement with the state; and
- (3) describes satisfactory methods and terms for making gas available to meet the reasonably foreseeable demand in this state for gas within the economic proximity of the project during the term of the proposed contract.

Sec. 43.82.140. Review of applications and determination of qualifications.

(a) The commissioner shall review an application submitted under AS 43.82.120 to determine whether the provisions of AS 43.82.100 concerning a qualified project and AS 43.82.110 concerning a qualified sponsor or qualified sponsor group have been met. The commissioner may approve an application only if those provisions have been met.

(b) If the commissioner approves an application under (a) of this section, the commissioner and the commissioner of natural resources shall review the proposed project plan submitted with the application to determine whether the provisions of AS 43.82.130 have been met. The commissioner may approve the proposed project plan as a qualified project plan only if the commissioner of natural resources concurs in the approval.

(c) The commissioner shall send to the applicant written notice of and the reasons for the determinations made under (a) and (b) of this section.

Sec. 43.82.150. Actions challenging determinations on applications.

(a) Only an applicant under AS 43.82.120 who is aggrieved by a determination of the commissioner of revenue or the commissioner of natural resources under AS 43.82.140 may seek judicial review of the determination.

(b) The only grounds for judicial review of a determination made under AS 43.82.140 are

- (1) failure to follow the qualification and application procedures set out in AS 43.82.100 - 43.82.180; or
- (2) abuse of discretion that is so capricious, arbitrary, or confiscatory as to constitute a denial of due process.

Sec. 43.82.160. Multiple applications for similar or competing qualified projects.

Nothing in this chapter prohibits different qualified sponsors or different qualified sponsor groups from submitting applications under AS 43.82.120 relating to similar or competing

qualified projects or prohibits the commissioner of revenue or the commissioner of natural resources from reviewing and approving applications and proposed project plans under AS 43.82.140 relating to similar or competing qualified projects.

Sec. 43.82.170. Application deadline.

The commissioner of revenue or the commissioner of natural resources may not act on an application for a contract submitted under AS 43.82.120 unless the application is received by the Department of Revenue no later than March 31, 2005.

Sec. 43.82.180. Withdrawal of applications.

Subject to the terms of a reimbursement agreement under AS 43.82.240 or other agreement with the Department of Revenue, the Department of Natural Resources, the commissioner of revenue, or the commissioner of natural resources affecting the withdrawal of an application, a qualified sponsor or qualified sponsor group may withdraw an application submitted under AS 43.82.120 at any time before the date that the commissioner of revenue submits a contract to the governor under AS 43.82.430 without further obligation under this chapter.

Article 03. CONTRACT DEVELOPMENT

Sec. 43.82.200. Contract development.

If the commissioner approves an application and proposed project plan under AS 43.82.140, the commissioner may develop a contract that may include

(1) terms concerning periodic payment in lieu of one or more taxes as provided in AS 43.82.210;

(2) terms developed under AS 43.82.220 relating to

(A) timing and notice of the state's right to take royalty in kind or in value; and

(B) royalty value;

(3) terms regarding the hiring of Alaska residents and contracting with Alaska businesses under AS 43.82.230;

(4) terms regarding periodic payment to, or an equity or other interest in a project for, municipalities under AS 43.82.500;

(5) terms regarding arbitration or alternative dispute resolution procedures;

(6) terms and conditions for administrative termination of a contract under AS 43.82.445;
and

(7) other terms or conditions that are

(A) necessary to further the purposes of this chapter; or

(B) in the best interests of the state.

Sec. 43.82.210. Contract terms relating to payment in lieu of one or more taxes.

(a) If the commissioner approves an application and proposed project plan under AS 43.82.140, the commissioner may develop proposed terms for inclusion in a contract under AS 43.82.020 for periodic payment in lieu of one or more of the following taxes that otherwise would be imposed by the state or a municipality on the qualified sponsor or member of a qualified sponsor group as a consequence of participating in an approved qualified project:

(1) oil and gas production taxes and oil surcharges under AS 43.55;

(2) oil and gas exploration, production, and pipeline transportation property taxes under AS 43.56;

(3) *[Repealed, Sec. 6 ch 34 SLA 1999]*.

(4) Alaska net income tax under AS 43.20;

(5) municipal sales and use tax under AS 29.45.650 - 29.45.710;

(6) municipal property tax under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600;

(7) municipal special assessments under AS 29.46;

(8) a comparable tax or levy imposed by the state or a municipality after June 18, 1998;

(9) other state or municipal taxes or categories of taxes identified by the commissioner.

(b) If the commissioner chooses to develop proposed terms under (a) of this section, the commissioner shall, if practicable and consistent with the long-term fiscal interests of the state, develop the terms in a manner that attempts to balance the following principles:

(1) the terms should, in conjunction with other factors such as cost reduction of the project, cost overrun risk reduction of the project, increased fiscal certainty, and successful marketing, improve the competitiveness of the approved qualified project in relation to other development efforts aimed at supplying the same market;

(2) the terms should accommodate the interests of the state, affected municipalities, and the project sponsors under a wide range of economic conditions, potential project structures, and marketing arrangements;

(3) the state's and affected municipalities' combined share of the economic rent of the approved qualified project under the contract should be relatively progressive; that is, the state's and affected municipalities' combined annual share of the economic rent of the approved qualified project generally should not increase when there are decreases in project profitability, or decrease when there are increases in project profitability;

(4) the state's and affected municipalities' combined share of the economic rent of the approved qualified project under the contract should be relatively lower in the earlier years than in the later years of the approved qualified project;

(5) the terms should allow the project sponsors to retain a share of the economic rent of the approved qualified project that is sufficient to compensate the sponsors for risks under a range of economic circumstances;

(6) the terms should provide the state and affected municipalities with a significant share of the economic rent of the approved qualified project, when discounted to present value, under favorable price and cost conditions;

(7) the method for calculating the periodic payment in lieu of certain taxes under the contract should be clear and unambiguous; and

(8) while cost calculations for the approved qualified project under the contract should be based on amounts that closely approximate actual costs, agreed-upon formulas reflecting reasonable economic assumptions should be used if possible to promote administrative certainty and efficiency.

(c) Except as provided in (b) of this section, the commissioner's discretion under this section in developing proposed terms for a contract under AS 43.82.020 is not limited to consideration of the economic rent of the approved qualified project.

Sec. 43.82.220. Contract terms relating to royalty.

(a) Notwithstanding any contrary provisions of AS 38, the commissioner of natural resources, with the concurrence of the commissioner of revenue and the affected parties holding a state lease or unit agreement, may develop proposed terms for inclusion in a contract under AS 43.82.020 that modify the timing and notice provisions of the applicable oil and gas leases and unit agreements pertaining to the state's rights to receive its royalty on gas in kind or in value if

(1) the viability of the approved qualified project depends on long-term gas purchase and sale agreements;

(2) certainty over time regarding the quantity of royalty gas that the state may be taking in kind is needed to secure the long-term purchase and sale agreements;

(3) the specified period of the state's commitment to take its royalty share in value or in kind does not exceed the term of the purchase and sale agreements; and

(4) the modification does not impair the ability of the approved qualified project or the state to meet the reasonably foreseeable demand in this state for gas within economic proximity of the project during the term of the contract developed under AS 43.82.020.

(b) Notwithstanding any contrary provisions of AS 38, the commissioner of natural resources, with the concurrence of the commissioner of revenue and the affected parties holding a state lease or unit agreement, may develop proposed terms for inclusion in a contract under AS 43.82.020 that establish a valuation method for the state's royalty share of the gas production from an approved qualified project.

(c) The commissioner of revenue shall include any proposed terms relating to royalty developed in accordance with this section in the proposed contract under AS 43.82.400.

(d) Nothing in this chapter permits modification of the state's rights that relate to timing, notice, and rights to receive oil royalty in kind or in value under oil and gas leases or unit agreements.

Sec. 43.82.230. Contract terms relating to hiring of Alaska residents and contracting with Alaska businesses.

(a) The commissioner shall include in a contract under AS 43.82.020 a term requiring the qualified sponsor or qualified sponsor group and contractors of the qualified sponsor or qualified sponsor group to comply with all valid federal, state, and municipal laws relating to hiring Alaska residents and contracting with Alaska businesses to work in the state on the approved qualified project and not to discriminate against Alaska residents or Alaska businesses. Within the constraints of law, the commissioner shall also include in a contract under AS 43.82.020 a term that requires the qualified sponsor or qualified sponsor group and contractors of the qualified sponsor or qualified sponsor group to employ Alaska residents and to contract with Alaska businesses to work in the state on the approved qualified project to the extent the residents and businesses are available, competitively priced, and qualified.

(b) The commissioner shall include in a contract under AS 43.82.020 a term requiring the qualified sponsor or qualified sponsor group and contractors of the qualified sponsor or qualified sponsor group to

(1) advertise for available positions in newspapers in the location where the work is to be performed and in other publications distributed throughout the state, including in rural areas; and

(2) use Alaska job service organizations located throughout the state and not just in the location where the work is to be performed in order to notify Alaskans of work opportunities on the approved qualified project.

(c) Subject to the voluntary agreement of the qualified sponsor, the commissioner may include a term in the contract providing for incentives to encourage training and hiring of Alaska residents.

(d) This section does not create or abridge individual rights and does not create a private right of action for any person.

(e) For purposes of this section,

(1) "Alaska business" means a firm or contractor that

(A) has held an Alaska business license for the preceding 12 months;

(B) maintains, and has maintained for the preceding 12 months, a place of business in the state that competently and professionally deals in supplies, services, or construction of the nature required for the approved qualified project; and

(C) is

(i) a sole proprietorship and the proprietor is an Alaska resident;

(ii) a partnership and more than 50 percent of the partnership interest is held by Alaska residents;

(iii) a limited liability company and more than 50 percent of the membership interest is held by Alaska residents;

(iv) a corporation that has been incorporated in the state or is authorized to do business in the state; or

(v) a joint venture and a majority of the venturers qualify as Alaska businesses under this paragraph;

(2) "Alaska job service organizations" means those offices maintained by the state and recommended by the Department of Labor and Workforce Development whose functions are to aid the unemployed or underemployed in finding employment;

(3) "Alaska resident" means a natural person who

(A) receives a permanent fund dividend under AS 43.23; or

(B) is registered to vote under AS 15 and qualifies for a resident fishing, hunting, or trapping license under AS 16;

(4) "available," as applied to an Alaska resident or Alaska business, means that the resident or business is available for employment at the time required and is located anywhere in the state, not just in the area of the state where the work is to be performed;

(5) "qualified," as applied to an Alaska resident or Alaska business, means that the resident or business possesses the requisite education, training, skills, certification, or experience to perform the work necessary for a particular position or to perform a particular service.

Sec. 43.82.240. Use of an independent contractor.

(a) The commissioner may use independent contractors to assist in the evaluation of an application or in the development of contract terms under AS 43.82.200. The commissioner may condition the development of a contract under AS 43.82.020 on an agreement by the applicant to reimburse the state for the reasonable expenses of independent contractors under this section. A reimbursement of expenses that is required in an agreement authorized by this subsection may not exceed \$1,500,000 for each application.

(b) An independent contractor selected under this section must sign an agreement regarding confidentiality and disclosures consistent with the determinations made under AS 43.82.310 before the contractor may review information that is determined confidential under AS 43.82.310.

(c) Selection of an independent contractor under this section is not subject to AS 36.30 (State Procurement Code).

Sec. 43.82.250. Term of contract; effective date.

The term of a contract developed under AS 43.82.020 may be for no longer than is necessary to develop the stranded gas that is subject to the contract; however, the term of the contract may not exceed 35 years from the commencement of commercial operations of the approved qualified project.

Sec. 43.82.260. Change of parties to an application or a contract; assignment of interests.

(a) A qualified sponsor or member of a qualified sponsor group may assign an interest in or add or withdraw a party to an application under AS 43.82.120 only if the commissioner has

(1) made a finding that the assignment, addition, or withdrawal is consistent with the requirements of AS 43.82.110; and

(2) given prior written approval for the assignment, addition, or withdrawal.

(b) A contract developed under this chapter may provide for the assignment to or withdrawal of a qualified sponsor or member of a qualified sponsor group.

(c) Upon being added to an application under this section, a party becomes a qualified sponsor or a member of a qualified sponsor group, as appropriate, for the relevant project.

(d) The commissioner may not unreasonably withhold approval under (a) of this section, but may condition the approval in any way reasonably necessary to protect the fiscal interests of the state and to further the purposes of this chapter.

(e) For purposes of this section, an assignment includes a transfer of stock or a partnership interest in a manner that changes control of a qualified sponsor or member of a qualified sponsor group.

Sec. 43.82.270. Project plans and work commitments.

A contract under AS 43.82.020 must include the qualified project plan approved under AS 43.82.140 and provisions for updating the plan at reasonable intervals until the commencement of commercial operations of the approved qualified project. The commissioner of revenue, in consultation with the commissioner of natural resources, may, as a term in a contract under AS 43.82.020, include work commitments or other obligations in the contract to be accomplished before the commencement of commercial operations of the approved qualified project.

Article 04. REQUESTS FOR INFORMATION; CONFIDENTIALITY; DISCLOSURE OF INFORMATION

Sec. 43.82.300. Requests for information.

The commissioner of revenue or the commissioner of natural resources may request from an applicant information that the respective commissioner determines is necessary to perform the respective commissioner's responsibilities under AS 43.82.140. If the application is approved under AS 43.82.140, the respective commissioner shall require the successful applicant to provide financial, technical, and market information regarding the qualified project that the respective commissioner determines is necessary for the purpose of developing contract terms for the qualified project under AS 43.82.200. If requested information is not provided, the commissioner of revenue may not continue to review the application under AS 43.82.140 or develop the contract under AS 43.82.200 - 43.82.270, as applicable.

Sec. 43.82.310. Disclosure of information; confidentiality.

(a) An applicant may request confidential treatment of information that the applicant provides under AS 43.82.300 by clearly identifying the information and the reasons supporting the request for confidential treatment. The commissioner of revenue or the commissioner of natural resources, as appropriate, shall keep the information confidential until the commissioner determines whether the requirements of (b) of this section are met. If the commissioner of revenue or the commissioner of natural resources has not made a determination under (b) of this section within 14 days after receiving a request for

confidential treatment, the request is considered denied. If the appropriate commissioner determines that the information does not meet the requirements of (b) of this section or if the commissioner fails to make a determination within 14 days, the commissioner shall return the information and any copies of it at the request of the applicant. If the commissioner of revenue or the commissioner of natural resources, as appropriate, returns information under this subsection, the commissioner shall cease review of the application or cease contract development under AS 43.82.200 - 43.82.270, as appropriate, unless the commissioner determines that the returned information is unnecessary to make a determination on the application or to develop contract terms under AS 43.82.200 - 43.82.270.

(b) If requested by the applicant, information provided to the commissioner of revenue or the commissioner of natural resources under AS 43.82.300 shall be kept confidential if the commissioner receiving the information determines, upon an adequate showing by the applicant, that the information

(1) is a trade secret or other proprietary research, development, or commercial information that the applicant treats as confidential;

(2) affects the applicant's competitive position; and

(3) has commercial value that may be significantly diminished by public disclosure or that public disclosure is not in the long-term fiscal interests of the state.

(c) Information determined to be confidential under (b) of this section is confidential under that subsection only so long as is necessary to protect the competitive position of the applicant, to prevent the significant diminution of the commercial value of the information, or to protect the long-term fiscal interests of the state. The commissioner of revenue or the commissioner of natural resources, as appropriate, may not release information that the commissioner has previously determined to be confidential under (b) of this section without providing the applicant notice and an opportunity to be heard.

(d) Notwithstanding the limitation in (c) of this section, the Department of Revenue and the Department of Natural Resources may provide to one another, to the Department of Law, to the legislature, and to the Office of the Governor any information provided under AS 43.82.300 relevant to the implementation of this chapter or to the enforcement of state or federal laws. Information that is exchanged under this subsection that was determined to be confidential under (b) of this section remains confidential except as provided in (c) of this section. The portions of the records and files of the Department of Revenue, the Department of Natural Resources, the Department of Law, the legislature, and the Office of the Governor that reflect, incorporate, or analyze information that is determined to be confidential under (b) of this section are not public records except as provided in (c) of this section.

(e) Notwithstanding the limitation in (c) of this section, information that is determined to be confidential under (b) of this section shall be disclosed on request by the commissioner of revenue, the commissioner of natural resources, or the attorney general to a legislator; to the legislative auditor; and, as directed by the chair or vice-chair of the Legislative Budget and

Audit Committee, to the director of legislative finance, to the permanent employees of those divisions who are responsible for evaluating a contract under AS 43.82.020, and to agents or contractors of the legislative auditor or the director of legislative finance who are engaged to evaluate a contract under AS 43.82.020. Information that is determined to be confidential under (b) of this section may also be disclosed by the commissioner of revenue or the commissioner of natural resources to an independent contractor under AS 43.82.240 or to a municipal advisory group established under AS 43.82.510. Before confidential information is disclosed under this subsection, the person receiving the information must sign an appropriate confidentiality agreement.

(f) If the commissioner of revenue chooses to develop a contract under AS 43.82.020, the portions of the records and files of the Department of Revenue, the Department of Natural Resources, the Department of Law, and a municipal advisory group established under AS 43.82.510 that reflect, incorporate, or analyze information that is relevant to the development of the position or strategy of the commissioner of revenue, the commissioner of natural resources, or the attorney general with respect to a particular provision that may be incorporated into the contract are not public records until the commissioner of revenue gives public notice under AS 43.82.410 of the commissioner's preliminary findings and determination under AS 43.82.400. Nothing in this subsection

(1) makes a record or file of the Department of Revenue, the Department of Natural Resources, or the Department of Law a public record that otherwise would not be a public record under AS 40.25.100 - 40.25.220;

(2) affects the confidentiality provisions of (a) - (e) of this section; or

(3) abridges a privilege recognized under the laws of this state, whether at common law or by statute or by court rule.

Article 05. CONTRACT REVIEW, APPROVAL, AND TERMINATION

Sec. 43.82.400. Preliminary findings and determination regarding the contract.

(a) If the commissioner develops a proposed contract under AS 43.82.200 - 43.82.270, the commissioner shall

(1) make preliminary findings and a determination that the proposed contract terms are in the long-term fiscal interests of the state and further the purposes of this chapter; and

(2) prepare a proposed contract that includes those terms and shall submit the contract to the governor.

(b) To make the preliminary findings and determination required by (a)(1) of this section, the commissioner shall compare the projected public revenue anticipated from the approved qualified project with the estimated operating and capital costs of the additional state and municipal services anticipated to arise from the construction and operation of the approved

qualified project. The commissioner shall address the reasonably foreseeable effects of the proposed contract on the public revenue.

(c) In conjunction with the making of preliminary findings and determination required by (a)(1) of this section, the commissioner shall describe the principal factors, including the projected price of gas, projected production rate or volume of gas, and projected recovery, development, construction, and operating costs, upon which the determination made under (a)(1) of this section is based. If the commissioner has previously submitted a proposed contract to the governor, the commissioner shall describe any material differences between the terms of the currently proposed contract and the previously proposed contract.

Sec. 43.82.410. Notice and comment regarding the contract.

The commissioner shall

(1) give reasonable public notice of the preliminary findings and determination made under AS 43.82.400 :

(2) make copies of the proposed contract, the commissioner's preliminary findings and determination, and, to the extent the information is not required to be kept confidential under AS 43.82.310, the supporting financial, technical, and market data, including the work papers, analyses, and recommendations of any independent contractors used under AS 43.82.240 available to the public and to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the finance and resources committees of the legislature; and

(C) the chairs of the special committees on oil and gas, if any, of the legislature;

(3) offer to appear before the Legislative Budget and Audit Committee to provide the committee a review of the commissioner's preliminary findings and determination, the proposed contract, and the supporting financial, technical, and market data; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to the public and all members of the legislature; if the financial, technical, and market data that is to be provided must be kept confidential under AS 43.82.310, the commissioner may not release the confidential information during a public portion of a committee meeting; and

(4) establish a period of at least 30 days for the public and members of the legislature to comment on the proposed contract and the preliminary findings and determination made under AS 43.82.400.

Sec. 43.82.420. Coordination of public and legislative review.

To the extent practicable, the commissioner shall coordinate the public comment opportunity provided under AS 43.82.410 (4) with a review by the Legislative Budget and Audit Committee under AS 43.82.410 (3).

Sec. 43.82.430. Final findings, determination, and proposed amendments; execution of the contract.

(a) Within 30 days after the close of the public comment period under AS 43.82.410 (4), the commissioner of revenue shall

(1) prepare a summary of the public comments received in response to the proposed contract and the preliminary findings and determination;

(2) after consultation with the commissioner of natural resources, if appropriate, and with the pertinent municipal advisory group established under AS 43.82.510, prepare a list of proposed amendments, if any, to the proposed contract that the commissioner of revenue determines are necessary to respond to public comments;

(3) make final findings and a determination as to whether the proposed contract and any proposed amendments prepared under (2) of this subsection meet the requirements and purposes of this chapter.

(b) After considering the material described in (a) of this section and securing the agreement of the other parties to the proposed contract regarding any proposed amendments prepared under (a) of this section, if the commissioner determines that the contract is in the long-term fiscal interests of the state the commissioner shall submit the contract to the governor.

(c) The commissioner's final findings and determination under (a) of this section are final agency decisions under this chapter.

Sec. 43.82.435. Legislative authorization.

The governor may transmit a contract developed under this chapter to the legislature together with a request for authorization to execute the contract. A contract developed under this chapter is not binding upon or enforceable against the state or other parties to the contract unless the governor is authorized to execute the contract by law. The state and the other parties to the contract may execute the contract within 60 days after the effective date of the law authorizing the contract.

Sec. 43.82.440. Judicial review.

A person may not bring an action challenging the constitutionality of a law authorizing a contract enacted under AS 43.82.435 or the enforceability of a contract executed under a law authorizing a contract enacted under AS 43.82.435 unless the action is commenced within 120 days after the date that the contract was executed by the state and the other parties to the contract.

Sec. 43.82.445. Administrative termination of a contract.

(a) The commissioner shall include terms in a contract developed under AS 43.82.020 that provide for administrative termination of a party's rights under the procedures and conditions set out in this section if the party has

(1) ceased to meet the requirements of AS 43.82.110 as a qualified sponsor or qualified sponsor group;

(2) intentionally or fraudulently misrepresented, in whole or in part, material facts or circumstances upon which the contract was made;

(3) failed to comply with a condition or material term of the contract or a provision of this chapter; or

(4) failed to comply with the approved qualified project plan or any updated project plan.

(b) Before administrative termination of a contract under this section, the commissioner shall give notice to the parties of the commissioner's intent to terminate the contract and an opportunity to be heard. The commissioner may also provide the parties an opportunity to cure any deficiency that is the basis for the termination if the commissioner determines that curing the deficiency is appropriate under the circumstances.

(c) Notwithstanding (a) and (b) of this section, the commissioner may not administratively terminate a contract after the party has committed full project funding except as provided in (e) of this section.

(d) A party to a contract who is affected by the commissioner's action to terminate under (a) of this section may file an appeal with the superior court under the Alaska Rules of Appellate Procedure.

(e) The commissioner may provide terms and conditions in a contract developed under AS 43.82.020 upon which a party's rights under the contract may be administratively terminated after the party commits full project funding.

Article 06. MUNICIPAL PARTICIPATION

Sec. 43.82.500. Obligation to share payments with municipalities.

If the commissioner develops a contract under AS 43.82.020 that includes terms that exempt a party to the contract, and the property, gas, products, and activities associated with the approved qualified project that is subject to the contract, from a municipal tax or assessment in accordance with AS 29.45.810 or AS 29.46.010 (b), or AS 43.82.200 and 43.82.210, the commissioner shall include a term in the contract that the party pay a portion of the periodic payments due under the contract to the revenue-affected municipality.

Sec. 43.82.505. Payments to economically affected municipalities.

If the commissioner executes a contract under AS 43.82.020 that will produce one or more economically affected municipalities, the commissioner shall include a term in the contract that provides for a portion of the periodic payments to the economically affected municipalities under the principles in AS 43.82.520.

Sec. 43.82.510. Municipal advisory group.

(a) If the commissioner approves an application and proposed project plan under AS 43.82.140 and decides to develop a contract under AS 43.82.020 and 43.82.200, the commissioner shall notify each revenue-affected municipality and economically affected municipality

(b) The mayor of a municipality notified by the commissioner under (a) of this section may appoint one representative to a municipal advisory group in relation to the application.

(c) Each municipal advisory group serves until a final action is taken on the application for which the group was appointed.

(d) Each municipal advisory group shall elect a chair.

Sec. 43.82.520. Duties of the commissioner of revenue in relation to municipal participation.

(a) The commissioner shall meet with each municipal advisory group periodically to report on the development of the contract provisions that affect the municipalities.

(b) In developing a contract under AS 43.82.200 - 43.82.270, the commissioner shall ensure that each revenue-affected municipality and economically affected municipality receives a fair and reasonable share of the payments provided under AS 43.82.210 in accordance with the following principles:

(1) the share of the payments to revenue-affected municipalities should be given priority over payments to economically affected municipalities with due regard to the anticipated size of the tax base that the contract would exempt from municipal taxation by revenue-affected municipalities;

(2) the share of the payments to municipalities should be determined with due regard to the anticipated economic and social burdens that would be imposed on the municipality by construction and operation of the project;

(3) the respective shares of the total payments to the state and to municipalities should be fixed in a manner to ensure that their respective interests are aligned;

(4) to the extent practicable, the periodic amounts paid to each of the municipalities should be stable and predictable; and

(5) to the extent practicable, the provisions for sharing payments with municipalities should be consistent with the principles established in AS 43.82.210 (b).

(c) In establishing the municipal shares under (b) of this section, the commissioner shall consult with the pertinent municipal advisory group.

Sec. 43.82.600. Governing law.

If a provision of this chapter conflicts with another provision of state or municipal law, the provision of this chapter governs.

Sec. 43.82.610. Regulations.

The commissioner of revenue, the commissioner of natural resources, and the commissioner of labor and workforce development may adopt regulations to carry out their respective duties under this chapter.

Sec. 43.82.620. Procedures for collection of amounts due; security.

(a) The commissioner may adopt procedures for the collection of amounts due the state under a contract developed under AS 43.82.020, including the collection of interest and penalties.

(b) The commissioner may require a party to a contract developed under AS 43.82.020 to provide security sufficient to guarantee amounts due under the contract.

Sec. 43.82.630. Reports and audits.

The commissioner may require periodic reports from and may at reasonable intervals conduct audits and inspect the books of a party that has entered into a contract developed under AS 43.82.020 to ensure compliance with the provisions of this chapter and the regulations adopted under this chapter and of the terms of the contract.

Sec. 43.82.640. Annual report of the commissioner of labor and workforce development.

On an annual basis, the commissioner of labor and workforce development shall prepare and present to the legislature a comprehensive report on each party to a contract with the state developed under AS 43.82.020, and its contractors, regarding the state residency of the employees working in this state on the approved qualified project that is subject to the contract. The commissioner of labor and workforce development shall use state data bases, including data from the quarterly reports by a party to the contract developed under AS 43.82.020 and its contractors for unemployment insurance purposes, to determine state residency of employees regarding compliance with AS 43.82.230.

Article 08. GENERAL PROVISIONS

Sec. 43.82.900. Definitions.

In this chapter, unless the context requires otherwise,

- (1) "affected municipality" means an economically affected municipality or a revenue-affected municipality;
- (2) "commencement of commercial operations" means the start of regular deliveries of marketable products from an approved qualified project;
- (3) "cubic foot of gas" means the quantity of gas contained in a volume of one cubic foot at a standard temperature of 60 degrees Fahrenheit and a standard absolute pressure of 14.65 pounds per square inch;
- (4) "economically affected municipality" means a municipality the commissioner of revenue determines will be reasonably required to provide additional public services under the terms proposed in an application approved under AS 43.82.140 (a); the commissioner may consider historical data from construction of the Trans Alaska Pipeline System, and information submitted by a municipality in making the determination;
- (5) "economic proximity" means the distance within which a person may be willing to design, construct, and operate a gas line to provide service to a local consumer;
- (6) "economic rent" means the estimated total gross revenue less estimated total costs for a qualified project over the term of a contract under AS 43.82.020, measured in undiscounted nominal dollars; for purposes of this paragraph, total costs do not include a rate of return on capital, financing costs, or any payments to governments;
- (7) "full project funding" means full approval by a party to a contract under AS 43.82.020 for the expenditure of the capital necessary for construction and operation of the approved qualified project that is subject to the contract;
- (8) "gas" has the meaning given in AS 43.55.900;
- (9) "group" means two or more persons;
- (10) "lease or property" has the meaning given in AS 43.55.900;
- (11) "periodic payment" means payment made in lieu of one or more other taxes under a contract under AS 43.82.020;
- (12) "revenue-affected municipality" means a municipality that the commissioner of revenue reliably expects will be restricted from imposing a tax, or a portion of a tax, as a result of implementation of a contract developed under this chapter;

(13) "stranded gas" means gas that is not being marketed due to prevailing costs or price conditions as determined by an economic analysis by the commissioner for a particular project.

Sec. 43.82.990. Short title.

This chapter may be cited as the Alaska »Stranded« »Gas« »Development« »Act«.

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*** CURRENT THROUGH P.L. 110-17, APPROVED 4/9/2007 ***

TITLE 15. COMMERCE AND TRADE
CHAPTER 15D. ALASKA NATURAL GAS PIPELINE

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15 USCS § 720d

§ 720d Federal Coordinator

(a) Establishment. There is established, as an independent office in the executive branch, the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects.

(b) Federal Coordinator.

(1) Appointment. The Office shall be headed by a Federal Coordinator for Alaska Natural Gas Transportation Projects, who shall be appointed by the President, by and with the advice and consent of the Senate, to serve a term to last until 1 year following the completion of the project referred to in section 103 [15 USCS § 720a].

(2) Compensation. The Federal Coordinator shall be compensated at the rate prescribed for level III of the Executive Schedule (5 U.S.C. 5314).

(c) Duties. The Federal Coordinator shall be responsible for--

(1) coordinating the expeditious discharge of all activities by Federal agencies with respect to an Alaska natural gas transportation project; and

(2) ensuring the compliance of Federal agencies with the provisions of this division [15 USCS §§ 720 et seq.].

(d) Reviews and actions of other Federal agencies.

(1) Expedited reviews and actions. All reviews conducted and actions taken by any Federal agency relating to an Alaska natural gas transportation project authorized under this section shall be expedited, in a manner consistent with completion of the necessary reviews and approvals by the deadlines under this division [15 USCS §§ 720 et seq.].

(2) Prohibition of certain terms and conditions. No Federal agency may include in any certificate, right-of-way, permit, lease, or other authorization issued to an Alaska natural gas transportation project any term or condition that may be permitted, but is not required, by any applicable law if the Federal Coordinator determines that the term or condition would prevent or impair in any significant respect the expeditious construction and operation, or an expansion, of the Alaska natural gas transportation project.

(3) Prohibition of certain actions. Unless required by law, no Federal agency shall add to, amend, or abrogate any certificate, right-of-way, permit, lease, or other authorization issued to an Alaska natural gas transportation project if the Federal Coordinator determines that the action would prevent or impair in any significant respect the expeditious construction and operation, or an expansion, of the Alaska natural gas transportation project.

(4) Limitation. The Federal Coordinator shall not have authority to--

(A) override--

(i) the implementation or enforcement of regulations issued by the Commission under section 103 [15 USCS § 720a]; or

(ii) an order by the Commission to expand the project under section 105 [15 USCS § 720c]; or

(B) impose any terms, conditions, or requirements in addition to those imposed by the Commission or any agency with respect to construction and operation, or an expansion of, the project.

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(c) State coordination.

(1) In general. The Federal Coordinator and the State shall enter into a joint surveillance and monitoring agreement similar to the agreement in effect during construction of the Trans-Alaska Pipeline, to be approved by the President and the Governor of the State, for the purpose of monitoring the construction of the Alaska natural gas transportation project.

(2) Primary responsibility. With respect to an Alaska natural gas transportation project--

(A) the Federal Government shall have primary surveillance and monitoring responsibility in areas where the Alaska natural gas transportation project crosses Federal land or private land; and

(B) the State government shall have primary surveillance and monitoring responsibility in areas where the Alaska natural gas transportation project crosses State land.

(f) Transfer of Federal Inspector functions and authority. On appointment of the Federal Coordinator by the President, all of the functions and authority of the Office of Federal Inspector of Construction for the Alaska Natural Gas Transportation System vested in the Secretary under section 3012(b) of the Energy Policy Act of 1992 (*15 U.S.C. 719e* note; Public Law 102-486), including all functions and authority described and enumerated in the Reorganization Plan No. 1 of 1979 (*44 Fed. Reg. 33663*) [*5 USCS § 903* note], Executive Order No. 12142 of June 21, 1979 (*44 Fed. Reg. 36927*) [*15 USCS § 719e* note], and section 5 of the President's decision, shall be transferred to the Federal Coordinator.

(g) Temporary authority. The functions, authorities, duties, and responsibilities of the Federal Coordinator shall be vested in the Secretary until the earlier of the appointment of the Federal Coordinator by the President, or 18 months after the date of enactment of this Act [enacted Oct. 13, 2004].

HISTORY:

(Oct. 13, 2004, P.L. 108-324, Div C, § 106, 118 Stat. 1259; Dec. 30, 2005, P.L. 109-148, Div A, Title VIII, § 8128, 119 Stat. 2731.)

HISTORY; ANCILLARY LAWS AND DIRECTIVES

Amendments:

2005, Act Dec. 30, 2005, in subsec. (g), substituted "earlier" for "later".