

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 2(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/30/09

Referred: Finance

Sponsor(s): REPRESENTATIVES RAMRAS, Millett, Johnson, Chenault, Hawker, Dahlstrom, Neuman

SENATORS Therriault, McGuire, Meyer, Huggins, Stevens, Wagoner, Bunde

A RESOLUTION

1 **Urging the Governor to provide energy security for all Alaskans by thoroughly**
2 **evaluating the feasibility of construction of a natural gas pipeline for delivering natural**
3 **gas from the North Slope or Brooks Range foothills to Southcentral and Interior Alaska;**
4 **urging the Governor to initiate discussions with all potential industrial users of natural**
5 **gas, including the Agrium U.S., Inc., facility and other businesses interested in value-**
6 **added processing of petroleum gases transported in a natural gas pipeline from the**
7 **North Slope or Brooks Range foothills for the purpose of providing jobs for Alaskans**
8 **and ensuring the economic viability of the pipeline; urging the Governor to identify and,**
9 **where appropriate, to negotiate with, one or more entities capable of producing and**
10 **supplying natural gas from the North Slope or Brooks Range foothills to Southcentral**
11 **and Interior Alaska on commercially reasonable terms and in sufficient quantities to**
12 **support the energy needs of Alaskans and the economic viability of a pipeline; urging**
13 **the Governor to advocate for an increase in the volume of gas that may be exported**
14 **under a license issued by the United States Department of Energy after Alaskans'**

1 demand for affordable natural gas has been fully satisfied; and urging the Governor to
2 take the requested actions before June 1, 2011.

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS** natural gas production in the Cook Inlet region of the state has suffered
5 significant decline, resulting in the closure of the Agrium U.S., Inc., facility in Kenai and the
6 risk of inadequate supplies of natural gas to consumers that rely on production from the Cook
7 Inlet region; and

8 **WHEREAS** there are significant quantities of natural gas on the North Slope that
9 could be produced if means for delivering the product to market were available; and

10 **WHEREAS** the major gas pipeline project licensed by the state under AS 43.90
11 (Alaska Gasline Inducement Act) or a similar alternative project that offers five natural gas
12 delivery points in the state is not expected to transport natural gas from the North Slope until
13 after 2016; and

14 **WHEREAS** the people of the state need energy security and access to affordable
15 natural gas as soon as possible; and

16 **WHEREAS** the demand for natural gas in the state is expected to increase steadily;
17 and

18 **WHEREAS** the construction of a smaller gas pipeline, sometimes referred to as a
19 "bullet line," may be capable of delivering the state's natural gas to in-state markets before the
20 major gas pipeline project from the North Slope becomes operational; and

21 **WHEREAS** farms cover more than 25,000 acres in five boroughs, and that acreage
22 has a value of approximately \$22,700,000; and

23 **WHEREAS** more than 300 farmers reside in the Matanuska-Susitna Borough, and
24 more than 130 farmers reside in the Fairbanks area; and

25 **WHEREAS** Alaska farms need fertilizer for crops, particularly in the form of urea for
26 hay and grain crops; and

27 **WHEREAS** Agrium U.S., Inc., owns the only urea fertilizer plant in the state, and
28 that plant was closed in 2007 because of the lack of inexpensive natural gas for use as
29 feedstock for the plant; the closure of the Agrium U.S., Inc., urea fertilizer plant resulted in a
30 loss of approximately 250 jobs and a 400 percent increase in the cost of fertilizer for farmers

1 in the state because of the costs of shipping in fertilizer from outside the state; and

2 **WHEREAS** a natural gas pipeline that delivers natural gas from the North Slope to
3 the Cook Inlet region could provide necessary feedstock for the Agrium U.S., Inc., urea
4 fertilizer plant, enabling the plant to reopen; and

5 **WHEREAS** the state has an interest in encouraging consumers to switch from liquid
6 fossil fuels to less expensive and cleaner-burning natural gas, particularly in the Interior and
7 other regions in the state struggling to comply with the fine particle air quality standard
8 commonly known as PM 2.5, imposed by the United States Environmental Protection Agency
9 under 42 U.S.C. 7401-7671q (Clean Air Act); and

10 **WHEREAS** the United States Department of Energy export license granted to
11 ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company to export from
12 the Kenai liquefied natural gas export facility near Kenai up to 99,000,000,000,000 British
13 thermal units of liquefied natural gas, the equivalent of 98,100,000,000 cubic feet of natural
14 gas, will expire March 31, 2011, and, if not renewed, the Kenai liquefied natural gas export
15 facility may close after 2011; and

16 **WHEREAS** the collective demand for natural gas in the Interior and Southcentral is
17 anticipated to expand from 200,000,000 cubic feet a day to approximately 700,000,000 cubic
18 feet a day during the period 2010 to 2025, and, if no new natural gas is discovered in the Cook
19 Inlet region, the demand for natural gas in Southcentral alone will exceed production from the
20 Cook Inlet region; and

21 **WHEREAS** increasing the authorized amount of natural gas that may be exported
22 from Alaska using natural gas transported from the North Slope improves the economic
23 viability of the in-state pipeline, protects jobs and key industries, addresses the potential lack
24 of natural gas supply to industrial and consumer customers in the Interior and Southcentral,
25 and enhances PM 2.5 compliance in the state;

26 **BE IT RESOLVED** that the Alaska State Legislature urges the Governor to provide
27 energy security for all Alaskans by thoroughly evaluating the feasibility of construction of a
28 natural gas pipeline for delivering natural gas from the North Slope or Brooks Range foothills
29 to Southcentral and Interior Alaska; and be it

30 **FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to
31 initiate discussions with all potential industrial users of natural gas, including the Agrium

1 U.S., Inc., facility and other businesses interested in value-added processing of petroleum
2 gases transported in a natural gas pipeline from the North Slope or Brooks Range foothills for
3 the purpose of providing jobs for Alaskans and ensuring the economic viability of the
4 pipeline; and be it

5 **FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to
6 advocate for an increase in the volume of gas that may be exported under a license issued by
7 the United States Department of Energy to 60,000,000,000 cubic feet a year, with the increase
8 in authorized volume to be supplied by natural gas produced on the North Slope or in the
9 Brooks Range foothills after Alaskans' demand for affordable natural gas has been fully
10 satisfied; and be it

11 **FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to
12 identify and, where appropriate, to negotiate with, one or more entities capable of producing
13 and supplying natural gas from the North Slope or Brooks Range foothills to Southcentral and
14 Interior Alaska on commercially reasonable terms and in sufficient quantities to support the
15 energy needs of Alaskans and the economic viability of a pipeline; and be it

16 **FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to take
17 the actions requested in this resolution as necessary and appropriate before June 1, 2011.