

# STATE OF ALASKA THE LEGISLATURE

## 2010

### Source

SCS CSHCR 2(FIN)

### Legislative Resolve No.

41



Urging the Governor to commit to providing energy security for all Alaskans by supporting the in-state gas pipeline project and assisting the project in its efforts to secure needed permits, rights-of-way, engineering specifications, and other approvals necessary or desirable, to bundle the approvals for sale on the market to interested private sector pipeline companies, and in all other ways to act in due haste to move the in-state natural gas pipeline to a construction phase; urging the Governor to support the persons working on the in-state gas pipeline project in discussions with and obtaining of letters of intent from potential industrial users of natural gas, including the Agrium U.S., Inc., facility, the ConocoPhillips/Marathon facility, mining companies, and other businesses interested in value-added processing of petroleum gases transported in a natural gas pipeline from the North Slope or Brooks Range foothills for the purpose of providing jobs for Alaskans and ensuring the economic viability of the pipeline; urging the Governor to pursue the renewal of the license issued by the United States Department of Energy to export natural gas produced on the North Slope or in the

Brooks Range foothills that exceeds the needs and demands of Alaskans for affordable natural gas; urging the Governor to continue negotiations with one or more entities capable of producing and supplying natural gas from the North Slope or Brooks Range foothills to Southcentral and Interior Alaska on commercially reasonable terms and in sufficient quantities to support the energy needs of Alaskans and the economic viability of a pipeline; urging the Governor to expedite the permits necessary or desirable to construct and operate a gas-to-liquids facility at Point Mackenzie if a feasibility document shows that it is economically viable; and urging the Governor to take the actions requested in this resolution, as necessary and appropriate, immediately and with all reasonable speed and effort.

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

**WHEREAS** natural gas production in the Cook Inlet region of the state has suffered significant decline, resulting in the closure of the Agrium U.S., Inc., facility in Kenai and jeopardizing the supply of natural gas to consumers that rely on production from the Cook Inlet region; and

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

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

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

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

**WHEREAS** farms cover more than 25,000 acres in five boroughs, and that acreage

has a value of approximately \$22,700,000; and

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

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

**WHEREAS** Agrium U.S., Inc., owns the only urea fertilizer plant in the state, and that plant was closed in 2007 because of the lack of reasonably priced natural gas for use as feedstock for the plant; the closure of the Agrium U.S., Inc., urea fertilizer plant resulted in a loss of approximately 250 jobs and a 400 percent increase in the cost of fertilizer for farmers in the state because of the costs of shipping in fertilizer from outside the state; and

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

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

**WHEREAS** the United States Energy Information Administration in the United States Department of Energy projects a growing international and domestic demand for Fischer-Tropsch fuels, and Alaska is identified as an important domestic source of gas-to-liquids production; and

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

**WHEREAS** the collective demand for natural gas in the Interior and Southcentral is anticipated to expand from 200,000,000 cubic feet a day to approximately 700,000,000 cubic feet a day during the period 2010 to 2025, and, if no new natural gas is discovered in the Cook

Inlet region, the demand for natural gas in Southcentral alone will exceed production from the Cook Inlet region; and

**WHEREAS** renewing the natural gas export license so that natural gas may be exported from Alaska using natural gas transported from the North Slope will improve the economic viability of the in-state pipeline, protect jobs and key industries, address the potential lack of natural gas supply to industrial and consumer customers in the Interior and Southcentral, and enhance PM 2.5 compliance in the state; and

**WHEREAS** the state has made considerable progress on developing an in-state gas pipeline, as reflected in the Governor's Alaska in-state gas pipeline project coordinator's report, "Stand-Alone Gas Pipeline Project Description or Plan of Development," which includes preliminary designs and planning for pipeline facilities, route analysis for the in-state pipeline, pipeline specifications, and identification of material, equipment, and land acquisition needs; and

**WHEREAS** the Governor's Alaska in-state gas pipeline project coordinator suggests that construction of the in-state pipeline could begin by June 2012, with possible startup by 2016; and

**WHEREAS**, by 2018, declining oil flow through the Trans Alaska Pipeline System will seriously diminish state revenue, and the project licensed under AS 43.90 (Alaska Gasline Inducement Act) to deliver North Slope gas to the North American gas pipeline grid in Central Alberta is not expected to produce state revenue before 2020; and

**WHEREAS** the first open season for the project licensed under AS 43.90 (Alaska Gasline Inducement Act) will be conducted during the summer of 2010; and

**WHEREAS**, if the state receives conditional transportation commitments, those conditional transportation commitments will lack the value of firm commitments required by potential financiers and may not provide a strong platform with which to secure financing for the large-diameter pipeline; and

**WHEREAS** receipt of conditional commitments during open season will extend the period of time before Alaskans will know with certainty whether or not a large-diameter pipeline will be able to secure financing and move forward to the construction phase; and

**WHEREAS** failing to move forward with the development of an in-state gas pipeline if only conditional commitments are received for the project licensed under AS 43.90 (Alaska

Gasline Inducement Act) would fail to provide Alaskans with gas supply certainty; and

**WHEREAS** it is in the best interest of all Alaskans to continue to move forward to the construction of an in-state natural gas pipeline and to designate a time certain to build that in-state gas pipeline;

**BE IT RESOLVED** that the Alaska State Legislature urges the governor to commit to providing energy security for all Alaskans by supporting the in-state gas pipeline project in its efforts to secure needed permits, rights-of-way, engineering specifications, and other approvals necessary or desirable; to bundle the approvals for sale on the market to interested private sector pipeline companies; and in all other ways to act in due haste to move the in-state natural gas pipeline to a construction phase; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to support the persons working on the in-state gas pipeline project in discussions with and obtaining of letters of intent from potential industrial users of natural gas, including the Agrium U.S., Inc., facility, the ConocoPhillips/Marathon facility, mining companies, and other businesses interested in value-added processing of petroleum gases transported in a natural gas pipeline from the North Slope or Brooks Range foothills for the purpose of providing jobs for Alaskans and ensuring the economic viability of the pipeline; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to pursue the renewal of the license issued by the United States Department of Energy to export natural gas produced on the North Slope or in the Brooks Range foothills that exceeds the needs and demands of Alaskans for affordable natural gas; and be it

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

**FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to expedite the permits necessary or desirable to construct and operate a gas-to-liquids facility at Point MacKenzie if a feasibility document shows that it is economically viable; and be it

**FURTHER RESOLVED** that the Alaska State Legislature urges the Governor to take the actions requested in this resolution, as necessary and appropriate, immediately and with all

reasonable speed and effort.