

# Bringing Gas to the Lower 48

ALASKAN PIPELINE NEEDED

BY GOV. SARAH PALIN

**THOUSANDS OF MILES AWAY FROM** the heartland of America, Alaska readies itself for the next chapter of her resource-rich existence. While Americans look toward another winter, and consultants and experts debate the unfolding energy crisis, Alaska moves swiftly in preparing for its next role of providing Americans with not only a safe, secure, and domestic source of crude oil for U.S. consumers, but natural gas as well.

Alaska's potential to continue providing a safe, secure, and domestic source of energy is great, with enough known and recoverable oil and gas to make a difference in America. In fact, if you exclude every other source of fuel, Alaska has seven years' worth of complete crude oil independence and an eight-year supply of natural gas for U.S. consumers.

Alaskans have waited decades to see their natural gas resources developed and transported to waiting North American markets. Right now, we are actively working toward what would be the biggest construction project in the history of the United States – construction of a 1,715-mile natural gas pipeline from the North Slope to the TransCanada hub in Alberta, Canada. At this very moment, we are encouraging development of our trillions of cubic feet of natural gas, through a unique and competitive process called the Alaska Gasline Inducement Act (AGIA). Our state legislators overwhelmingly voted AGIA into law last year and they are back in special legislative session right now debating whether to award TransCanada Alaska (TC Alaska) with a license to proceed with fieldwork and permitting. We believe our creative approach will help expedite delivery of our gas to satisfy this nation's thirst for energy and provide long-term stability with a domestic source. The gas line would deliver natural gas from state lands and would supply over 6 percent of the U.S. gas consumption, at 4.0 to 4.5 billion cubic feet per day. Theoretically, Alaska's 35 trillion cubic feet of known natural gas reserves could supply the entire 65

billion cubic feet per day that Americans consume, and it would be able to do that nonstop for about a year and a half.

As part of AGIA, the state of Alaska committed itself to investing up to \$500 million in a capital match to the winning bidder of the Alaska license. If the legislators agree, that capital match will help TC Alaska reach its first open season. We believe this financial commitment provided under AGIA is an investment in our resources that will pay for itself directly as well as indirectly.

The match is an investment in progress. The



Alaska Gov. Sarah Palin speaks in front of an oil pipeline.

AGIA provisions Alaska demands in return for the capital match ensure that progress takes place. The AGIA provisions require TC Alaska to conduct an open season within three years of receiving the license. We have never been in a position to know that before. Likewise, TC Alaska has committed to time lines regarding the filing for federal pipeline certificates. These commitments are enforceable, so again they ensure that progress will be made.

The investment also buys certain provisions that protect Alaskans. Our current lease agreements allow for the resource developers to deduct transportation costs from royalty payments. In order to protect the value of our resources, we must be sure that the cost of transportation is not made unnecessarily expensive. Additionally, the AGIA protections guarantee a debt-to-equity ratio that results in a fair

return for the pipeline builder and a fair transportation fee for producers. And low tariff rates and reduced costs for in-state deliveries are the direct result of the provisions that the state's investment buys.

As we quickly move closer to gas pipeline construction, we are especially cognizant of the need for access to our resources in order to develop them. And our resources are plentiful. But talking about energy from Alaska can seemingly be an academic exercise in some circumstances because development is locked up and not available in many resource-rich areas. And while most of the focus has been on the Alaska National Wildlife Refuge as the number one potential source of crude oil and natural gas, Congress can really help Americans and Alaskans by streamlining access to the offshore resources. That's where much of the resource potential is in Alaska.

Remember, we've seen 15 billion barrels of crude oil from Prudhoe Bay. There are more than 10 billion barrels of oil and 9 trillion cubic feet of natural gas in ANWR, but it's estimated there are 24 billion barrels of recoverable oil and another 104 trillion cubic feet of natural gas offshore. That means offshore areas that are geologically prospective such as the Chukchi

and Beaufort Seas hold roughly 3.5 years' worth of U.S. oil consumption and 4.5 years' worth of natural gas. That's where Congress can help right now. That's where we have leases sold and development can happen and oil can get online within just a few years. And if we can overcome some environmental hurdles with the lands known as National Petroleum Reserve – Alaska (NPR-A), we add another 12 billion barrels of oil and 75 trillion cubic feet of natural gas.

Alaskans are resource owners and are ready to provide much-needed relief for Americans in the form of abundant and clean natural gas. We have the resources and we are committed to, and investing in, Alaska's future and America's future to expedite our natural gas production and gas flow. Americans can help, too, by paying attention to the efforts of the U.S. Congress and remaining engaged in this important public discussion. For 30 years, Alaska's North Slope has accounted for nearly 20 percent of domestic crude oil production. And as we, as a nation, stand perched on the horizon of a new energy paradigm, Alaskans are working hard to expand our role of energy provider into the arena of natural gas resource development.

*Sarah Palin is the governor of Alaska.*

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