

AK One Step Closer To Gas Line Project

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JUNEAU, Alaska (AP) — A newly signed commercial agreement anticipates the state's equity share in a major natural gas pipeline project will be about 20 to 25 percent.

The agreement, signed by officials with the state, Alaska Gasline Development Corp., TransCanada Corp., and the North Slope's three major players, BP, ConocoPhillips and Exxon Mobil Corp., spells out broad terms for a new direction in pursuing the long hoped-for gas line project.

Gov. Sean Parnell outlined that direction — which includes plans to move away from terms of the 2007 Alaska Gasline Inducement Act, or AGIA — in a speech last week. On Wednesday, he hailed the agreement as a historic achievement.

"Not only have all the necessary parties aligned around a single project, but we're moving forward with a project that's on Alaska's terms and in Alaskans' interests," he said in a release.

The agreement is subject to passage of legislation that would allow for contract terms and a confidential process by which the administration could participate in developing those terms. The agreement notes that any project-enabling contracts would be subject to legislative approval.

Natural Resources Commissioner Joe Balash said the administration is looking for the Legislature this year to establish "take" terms and provide the departments of revenue and natural resources with authority to negotiate agreements that would be brought to lawmakers for approval probably late next year. He said that approval would pave the way for state participation.

Rather than ask the Legislature to make all the big decisions and "lock it in all right now, we're trying to segment this in a way that makes sense," he said.

According to the agreement, the parties anticipate a state interest share of approximately 20 percent to 25 percent.

Balash said the parties have agreed to move forward so long as the Legislature sets the state's participation rate between those percentages. To do that, he said the state needs to move from a net tax, which he said is a moving target based on costs and the commodity price, to a gross tax.

The administration will ask the Legislature to establish a tax based on the gross value of the commodity itself or a fixed percent of the gas itself based on volume, he said. That production tax number added to the state's royalty number would

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establish the state's position in the project, he said. The state's royalty interest between Prudhoe Bay and Point Thomson is about 13 percent, he said, and the parties, in the agreement, anticipate the gas tax would be about 7 percent to 13 percent.

State officials separately signed an agreement for pipeline services with TransCanada that would replace the existing agreement between the parties under AGIA, pending passage of enabling legislation. TransCanada would provide transportation service for the state's royalty and tax share of gas flowing through the pipeline, including offtake points for instate gas deliveries, according to the Department of Natural Resources.

TransCanada would carry the state's interest in the line and gas treatment plant. A subsidiary of the Alaska Gasline Development Corp. would carry the state's interest in a liquefaction facility.

The federal coordinator for Alaska natural gas pipeline projects, Larry Persily, said Wednesday that the fact the companies had taken this step "reaffirms to me this project can be economically viable in the Asian market, or they wouldn't do this."

The liquefied natural gas pipeline project being pursued would include a roughly 800-mile pipeline and be capable of overseas exports. The mega-project could cost \$45 billion to more than \$65 billion, according to company estimates.

BP Alaska spokeswoman Dawn Patience said the agreement "integrates the resources of all parties behind this potential project."

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