# Alaska LNG Project To Cost Billions

Associated Press

JUNEAU, Alaska (AP) — Alaska's contribution toward building a liquefied natural gas project could range from $4.6 billion to $11.4 billion, depending on the state's equity stake and whether it has a partner.

An agreement to advance the project, contingent upon legislation authorizing it, anticipates a state stake of about 20 to 25 percent. Alaska's participation rate would be established through taxes and royalties, and the state would be responsible for a commensurate level of construction costs. So if the state has a 25 percent stake, it would be responsible for 25 percent of costs.

That agreement includes the state, TransCanada Corp., the Alaska Gasline Development Corp., or AGDC, and the North Slope's three major players: BP, ConocoPhillips and ExxonMobil Corp. Current cost estimates, expected to be refined as the project advances, are from $45 billion to more than $65 billion.

On Wednesday, administration officials gave the House and Senate Resources committees overviews of a memorandum of understanding between the state and TransCanada detailing the terms of service for transporting Alaska's gas through a gas-treatment plant and pipeline. The agreement also represents a move away from the terms of the Alaska Gasline Inducement Act (AGIA), which Gov. Sean Parnell has said do not fit well with the current project.

TransCanada had won an exclusive license to pursue a major gas line under AGIA. But the project has shifted from a pipeline that would run from the North Slope into Canada and serve North American markets to a liquefied natural gas project capable of overseas exports. Moreover, more companies are involved in the project.

Natural Resources Commissioner Joe Balash told lawmakers that the state's total capital investment without a partner for the gas-treatment plant, liquefaction facility and pipeline could be $9.1 billion with a 20 percent stake and $11.4 billion at 25 percent. Those figures are in 2013 dollars and considered estimates.

But Balash noted there are going to be competing needs and draws on the state's cash reserves in the coming years.

With TransCanada owning the pipeline and treatment plant, the state's cost for liquefaction and marine facilities could be $4.6 billion or $5.8 billion, depending on the stake taken by the state. A subsidiary of AGDC would carry out the state's interest on the liquefaction side. If the state exercised an equity option with TransCanada, the total cost could be $6.9 billion or $8.6 billion.

Sen. Hollis French said there was always the potential the state could lose money.

Balash said the administration could run different scenarios of business plans.

According to Parnell administration consultant Black & Veatch Corp, assuming the state has a 25 percent equity stake and TransCanada is involved, the state could see total revenues from the project of $130 billion over 30 years.

Balash told the House Resources Committee that TransCanada has a "stellar reputation" for delivering projects on time and on budget. He said the memorandum of understanding, which he said would not be binding until the enabling legislation is passed, would provide a "seamless transition" from AGIA that would allow the project to maintain momentum.

Rep. Geran Tarr asked if the state essentially had to work with TransCanada because of AGIA. Balash said there are two paths for ending the license under AGIA, "and this is the amicable one."

But he also said TransCanada is familiar with conditions in Alaska and would not face the same learning curve another company might.

TransCanada's Tony Palmer told the Senate Resources Committee later in the day that the agreement reflects compromises by all parties. While the company is pursuing a number of other possible projects, he said TransCanada believes the Alaska project has the ability to compete in the market.

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