

ALASKA NATURAL GAS PIPELINE PROJECT FACT SHEET

President Obama and his administration recognize the need for an Alaska natural gas pipeline. Natural gas can be a significant low cost bridge fuel as the country moves toward greater reliance on renewable resources allowing the United States to reduce greenhouse gas emissions while maintaining economic growth. An Alaska natural gas pipeline will improve America's energy security and help bring clean, natural gas to domestic markets.

Alaska has abundant proven conventional natural gas reserves. The proven gas reserves on the North Slope of Alaska are estimated at 35 trillion cubic feet (Tcf). In 2006, the USGS estimated undiscovered conventional resources for the North Slope of Alaska to be 227 Tcf. The pipeline would deliver between 4.5 to 6 Tcf annually to markets in the lower 48 States. North Slope gas could **provide nearly 25% of America's annual consumption of natural gas** according to the Energy Information Administration.

The project will be the first large diameter high pressure natural gas pipeline project in the U.S. Arctic. Project planning must consider issues such as socio-economic and health effects on local residents, construction in permafrost, cross-border pipeline design standards, earthquake hazards and climate change effects during the project life. Natural gas prices, steel supply and demand, and a need to hire, train and retain a large diverse labor pool must also be anticipated. **Federal agencies are identifying the science and information needs for the gasline.**

The project will **create tens of thousands of good paying jobs** in Alaska and elsewhere in the United States and Canada both directly and indirectly related to the project. The project will require pipe fitters, welders, permit contractors and other technical experts. It will also require at least **2.5 million tons of steel**. In 2004 a Sense of Congress was passed suggesting the steel come from North America and Project Labor Agreements (PLA) be considered.

In addition to jobs for pipeline permitting, construction and operation, jobs will be created for pre-project planning and infrastructure work. The State of Alaska is working to identify, repair, and upgrade infrastructure along the pipeline route. The State has already identified over \$2 billion worth of potential projects.

The gas pipeline will run through Alaska primarily along the existing TAPS Rights of Way (ROW), with Alaskan takeoff points. At Delta Junction, it will either continue south along the TAPS ROW to Valdez or cross into Canada along the Alaska Highway south and east to Alberta. **At Alberta it will either connect to the existing North American distribution system or continue southeast to Chicago.** The most likely project is a highway route pipeline from the North Slope to Alberta which consists of approximately 750 miles of pipeline in Alaska and more than 1000 miles in Canada. The project will take almost 10 years to permit and

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construct, with natural gas expected to flow at full capacity in 2019. A northern route, “over the top” bypassing most of Alaska, is prohibited by law.

There are currently **two competing project applicants**: Denali—The Alaska Gas Pipeline, a joint venture between BP and ConocoPhillips; and the Alaska Pipeline Project, a partnership joint effort of TransCanada Alaska and ExxonMobil. Each company will determine its precise project route and apply for all necessary authorizations. **Both are currently in the FERC Pre-file Process and plan to hold separate binding Open Seasons in 2010.**

The current published **estimated project cost is \$26 billion**. Private sector financing will be used to pay for the project, making this the largest privately financed construction project in North America. Denali and the Alaska Pipeline Project are working on project costs for their Open Seasons.

The State of Alaska, through its Alaska Gasline Inducement Act (AGIA), selected TransCanada Alaska to receive a license granting them up to \$500 million in State project financing via reimbursement for a portion of their costs. In exchange for the license, TransCanada Alaska agreed to a number of “**must haves**” including rolled in rates, an aggressive schedule, holding an Open Season in 2010, proceeding through full licensing at the FERC, and a commitment to use PLA. The partnership does not give TransCanada Alaska an exclusive ROW across State lands or any special treatment in the State permitting process.

In 2004, Congress authorized an \$18 billion partial federal loan guarantee (indexed to the CPI from 2004) to be used by any project applicant. **The current Senate Energy Bill, as passed out of the Energy and Natural Resources Committee, increases the loan guarantee to \$30 billion.** This figure is more in line with the anticipated cost of the project. When the applicants finalize Open Season filings, we will have new published project estimates.

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) was established by Congress in 2004 to expedite and coordinate federal permitting and construction of a pipeline and enhance transparency and predictability of the federal regulatory system to deliver natural gas from the Arctic to American markets. The OFC coordinates with over 20 federal agencies, the Canadian federal government, the State of Alaska (which leases all the known natural gas reserves and owns portions of the right of way), tribal governments and other stakeholders.

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