ALASKA NATURAL GAS TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

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VIA ELECTRONIC FILING

The Honorable Ken Salazar
Secretary of the Interior
Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

C/O Sam D. Hamilton, Director, U.S. Fish & Wildlife Service
Public Comments Processing
Attn: FWS-R7-ES-2009-0042
Division of Policy and Directives Management
U.S. Fish and Wildlife Service
4401 N. Fairfax Drive, Suite 222
Arlington, VA 22203

Re: Comments of the Office of Federal Coordinator—Proposed Rule to Designate Critical Habitat for the Polar Bear (FWS-R7-ES-2009-0042)

Dear Secretary Salazar and Director Hamilton:

This submission serves as the comments of the Office of Federal Coordinator for Alaska Natural Gas Transportation Projects in response to the U.S. Fish and Wildlife Service's ("Service's") proposed rule designating critical habitat for the polar bear (*Ursus maritimus*) in the United States (the "Proposed Rule") pursuant to Section 4 of the Endangered Species Act ("ESA"), 16 U.S.C. § 1533. *See* 74 Fed. Reg. 56058-86 (Oct. 29, 2009).

I appreciate your expressed strong support for the Alaska natural gas transportation project (Project) and the project's potential to help ensure energy, environmental, and economic security for North America. This is consistent with support for the project by the Administration and findings by the Congress that the project is in the nation's interest.

Any critical habitat designation should not unnecessarily interfere with or delay the proposed natural gas pipeline project. The economic, environmental and energy security benefits to the United States of an Alaska natural gas pipeline system, as well as the need to protect polar bear habitat must be fully considered. Additional consultations because of critical habitat reviews inject review time. If the habitat area is unnecessarily broad, unnecessary delay and associated costs will be incurred. Moreover, additional reviews will add more unnecessary delay to the project if the Service does not have the resources to expeditiously conduct all reviews related to the gas pipeline project.

As noted in the proposed rule, scientific data demonstrates that polar bears tend to avoid areas of human habitation and activity. To this end, any final critical habitat designation rule should specifically exclude current population areas, industrial zones, and transportation corridors.

Alaska has 35 trillion cubic feet (tcf) of identified gas reserves, with average estimates of another 227 tcf of technically recoverable undiscovered gas. Based on recent historical analysis and future projections, the Alaska natural gas pipeline could be completed in 2018 and the economics continue to be favorable.[1] Once the pipeline is in service, Alaska's total natural gas production would be 2.0 trillion cubic feet in 2021 and remain at that level through 2030. Gas flow from the Alaskan North Slope is expected to be 4.5 billion cubic feet (Bcf) per day.

Simply put, Alaska's vast reserve of clean natural gas needs a transportation system to supply the lower-48 states with this important and environmentally favorable energy source. If the natural gas pipeline is built it would create tens of thousands of jobs over its life cycle; provide a sustainable transition fuel for renewable energy sources; and help reduce United States dependency on overseas energy sources. Indeed, according to the Energy Information Administration (EIA), if the Alaska pipeline is not built, there will be higher prices in the lower 48 natural gas markets; increased lower-48 production of oil and natural gas; and more imports of liquefied natural gas (LNG) from overseas.[2]The gas pipeline will also be the largest private sector construction project in the history of North America, and tens of thousands of direct, indirect jobs and induced jobs will be created over its lifespan.

The Office of Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) is an independent agency in the Executive Branch, pursuant to the Alaska Natural Gas Pipeline Act (ANGPA) of 2004 (P.L. 108-324) with authorities derived from that law and the Alaska Natural Gas Transportation Act (ANGTA) of 1976 (P.L. 94-586). The OFC is responsible for coordinating federal activities for an Alaska gas pipeline project, including joint surveillance and monitoring with the State of Alaska during construction and for one year following the completion of the project. OFC has a specific

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[1] *Annual Energy Outlook Early Release Overview* for 2009, Energy Information Administration, published December 2008.

[2] See Energy Information Administration / Annual Energy Outlook 2009, http://www.eia.doe.gov/oiaf/aeo/pdf/trend_4.pdf.

congressional mandate to ensure federal agencies act in a manner that leads to expedited permitting, construction and operation of an Alaska natural gas transportation system. ANGPA prohibits federal agencies from including any term or condition to and adding to, amending, or abrogating any certificate, right-of-way, permit, lease or other authorization not required by law that the Federal Coordinator determines would prevent or impair in any significant respect the expeditious construction and operation, or expansion, of the Alaska gas pipeline project.

Other Specific Comments on the Proposed Rule:

First, the mapping diagram used to describe the critical habitat may not accurately portray the actual areas of critical habitat as described in the preamble and the proposed rule. The preamble states "We are proposing to designate critical habitat . . . in areas occupied at the time of listing which are defined by physical and biological features essential to the conservation of polar bears in the United States." The preamble then notes that the areas include sea ice and exclude areas covered by buildings, pavement, or other structures. However, the published mapping diagram appears to include the entire northern coastal area of Alaska extending perhaps as far as 50 miles inland and does not exclude the industrial area of Deadhorse, Alaska, or other population centers such as Barrow and transportation corridors. Scientific data provided with the proposed rule indicates that polar bears tend to avoid areas of human habitation and activity. The OFC suggests that new mapping be drafted with a scale that is more appropriate to the designation and excludes population areas, industrial zones and transportation corridors.

The proposal includes an area of the Dalton Highway from its terminus at Deadhorse to an unspecified point further south. The Dalton Highway is a highly trafficked major thoroughfare with heavy traffic well documented over the last forty years. The Dalton Highway is a major corridor of commerce that is critical to the energy and economic security of United States and one of the most important features of infrastructure on the North Slope. It is a corridor that is utilized to supply the North Slope with all the necessary equipment and provisions for TransAlaksa Pipeline operations. It will also serve as one of the most important features of infrastructure for an Alaska natural gas pipeline. Designating an area such as the Dalton Highway will be detrimental to commerce and be inconsistent with the documented behavior of polar bears to avoid vehicles and high traffic areas.

Deadhorse, Alaska should also be considered as an excluded area for critical habitat purposes. The area is highly industrialized, substantially paved, with numerous and roads and substantial vehicular traffic. Based on studies cited in the preamble, it appears to not be suitable as a critical habitat. As described there appears to be little to no suitable denning habitat, and foraging for seals would not be successful in the area. The entire community of Deadhorse should be considered for exclusion from the designation of critical habitat.

Enclosed as **Appendix 1** is a summary of important issues related to the permitting and construction of an Alaska natural gas pipeline system. The OFC expresses its respect for

the scientist at U.S. Geological Survey and the Fish & Wildlife Service. If you or your staff requires any other facts or data on the Project, please contact my office at (202) 478-9750.

Sincerely,

Drue Pearce
Federal Coordinator

Enclosure

CC: Kim Elton, DOI Director of Alaska Affairs

Appendix 1

Jobs—Economic benefits
Natural Gas Facts—Sense of Congress and Environmental Benefits
Alaska Natural Gas Transportation Project Applicants (Progress Update)
Canadian Regulatory Regime

Re: Comments of the Office of Federal Coordinator—Proposed Rule to Designate Critical Habitat for the Polar Bear (FWS-R7-ES-2009-0042)

Jobs—Economic Benefits

Construction of an Alaska natural gas transportation system will be an enormous undertaking. The gas pipeline will be the largest private sector construction project in the history of North America, and tens of thousands of direct, indirect jobs and induced jobs will be created over its lifespan. In Alaska there is a jointly administered corporate-labor structured entity called Alaska Works Partnership, Inc (AWP). It is the gateway to successful careers in construction. AWP's construction training and placement system reaches across Alaska and is open to everyone. AWP delivers services in partnership with Alaska's Building Trades Unions, the Alaska Department of Labor & Workforce Development, the U.S. Department of Labor, and the Denali Training Fund.

In November of 2008, a 52-acre pipeline training yard in South Fairbanks was officially opened. The Fairbanks field site offers real experience in an environment that replicates an actual pipeline right-of-way, complete with frigid temperature workspaces, mechanized welding operations, heavy equipment operation, ditching, stringing and other associated pipeline construction machinery.

The OFC highlights the following provisions outlined in the Alaska Natural Gas Pipeline Act:

- **Project Labor Agreements** and **North American Steel**: Section 111 of ANGPA is a recognition clause by the U.S. Congress that an Alaska natural gas pipeline system would provide "significant economic benefits to the United States." To this end, the sense of Congress is that the project applicants should "make every effort" to negotiate project labor agreements to expedite construction of the pipeline and use steel that is manufactured in North America. Pursuant to the State of Alaska statute the Alaska Gasline Inducement Act (AGIA), the project licensee (TransCanada, Alaska) is required to enter into project labor agreements for construction of the Gasline. Denali is advancing its project application outside of AGIA but indicates that it will also enter into project labor agreements.
- **Participation by Small Businesses**: Section 112 of ANGPA is a recognition clause by the U.S. Congress that an Alaska natural gas pipeline system would provide "significant economic benefits to the United States." To this end, the sense of Congress is that the project applicants should maximize the participation of small business concerns in contracts and subcontracts awarded in carrying out the project. Further, Congress directs the Comptroller of the United States to

conduct a study of small business participation in pipeline construction every five years until the Alaska natural gas pipeline is completed.

- **Alaska Pipeline Construction Training Program**: Section 113 of ANGPA directs the Secretary of Labor to make grants to the Alaska Workforce Investment Board for purposes such as the recruitment and training of adult and dislocated workers including Alaska natives, in the skills required to construct and operate an Alaska gas pipeline system. The DOL may grant funding up to $20 million and has already awarded grants, under separate statutory authorities, totaling $14.5 million to Alaska's Department of Labor to prepare Alaska's current and future workers for careers in the growing energy sector, including the natural gas and oil pipelines.

Natural Gas Facts—Sense of Congress and Environmental Benefits
In accordance with Section 114 of ANGPA Congress recognized that "North American demand for natural gas will increase dramatically over the course of the next several decades."

Natural gas is an extremely important source of energy for reducing pollution and maintaining a clean and healthy environment. In addition to being a domestically abundant and secure source of energy, the use of natural gas also offers a number of environmental benefits over other sources of energy, particularly other fossil fuels.

As the cleanest of the fossil fuels, natural gas can be used in many ways to help reduce the emissions of pollutants into the atmosphere. Burning natural gas in the place of other fossil fuels emits fewer harmful pollutants into the atmosphere, and an increased reliance on natural gas can potentially reduce the emission of many of these most harmful pollutants.

Please consider the following facts:

- Natural Gas fuel produces 43% less carbon (CO2) than coal (reduces greenhouse gas)

- Natural Gas fuel produces 30% less carbon (CO2) than oil (reduces greenhouse gas)

- Natural Gas fuel produces virtually no Sulfur Dioxide (SO2) (reduces acid rain and respiratory health risks, particularly to elderly and children)

- Natural Gas fuel produces very little Nitrogen Oxide (NO) (reduces smog)\

- Natural Gas fuel produces virtually no particulates (greatly reduces problems associated with clean air and water)

- Natural Gas fuel emits no mercury (Hg) (reduces risks to food chain and the health of children)

Fossil Fuel Emission Levels
- Pounds per Billion Btu of Energy Input

Pollutant	Natural Gas	Oil	Coal
Carbon Dioxide	117,000	164,000	208,000
Carbon Monoxide	40	33	208
Nitrogen Oxides	92	448	457
Sulfur Dioxide	1	1,122	2,591
Particulates	7	84	2,744
Mercury	0.000	0.007	0.016

Source: EIA - Natural Gas Issues and Trends

Alaska Natural Gas Transportation Project Applicants
There are two proposed projects currently navigating through the regulatory regimes in North America that are designed to transport Alaska's natural gas to American markets. Indeed, significant progress has been made to date by both applicants. Field studies are underway whereby jobs have been created in gathering the necessary field study data to comply with filing a complete application with the Federal Energy Regulatory Commission and Canada's National Energy Board, the Northern Pipeline Agency and the Major Projects Management Office.

Alaska Pipeline Project—TransCanada, Alaska and ExxonMobil are jointly advancing the Alaska Pipeline Project (APP).

The APP project team is preparing an Open Season commercial offering. There are ongoing discussions with potential shippers in Alaska and Canada, for both the Alberta mainline and Valdez LNG options. TC is taking the Alberta and Valdez LNG options equally seriously. The 90 day Open Season is scheduled to begin in May 2010 and conclude at the end of July 2010.

The following are some key milestones with respect to the APP:

- Pre-filing with Federal Energy Regulatory Commission (FERC) was approved on May 1, 2009 (originally scheduled for June 2010).
- TransCanada Alaska (TC Alaska) has been submitting monthly updates on project activity to FERC that are located on FERC's e-library under Docket PF09-11-000.[3]
- Undertaking additional field programs including a ground-based geophysical program, acquisition of LiDAR data and Immersive Video.

[3] TC Alaska Application Monthly Reports and Submissions FERC e-library: http://elibrary.ferc.gov/idmws/search/eSave.asp?dt=All&cat=submittal,%20issuance&dkt=PF09%2D11&ft=fulltext&dsc=description

According to TC Alaska, overall pipeline and facility planning progress is on schedule and on budget to complete year-end deliverables for Open Season in 2010. Execution planning and schedule analysis are under way and development of the design basis and cost estimate for the Valdez LNG option is progressing on schedule.

The pipeline corridor in Alaska has been defined using aerial photography, Immersive Video, site reconnaissance by helicopter and land based transportation. TC Alaska reports that technical field programs in Alaska were executed to facilitate design and cost estimating efforts including the following activities:

- 111 bore hole samples were taken along the Alaska based corridor. These samples provide information to validate the terrain typing effort, as well as the permafrost characterization;
- Bulk soil samples also were collected, and these are used in an on-going program of physically checking the settlement and uplift characteristics of the soil;
- LiDAR (Light Detection and Ranging) data was acquired for the mainline and LNG pipeline corridors. This information can be used for a multitude of assessments including fault hazards, landslide hazard, permafrost, and river crossing planning in the design of the pipeline;
- A ground-based geophysical program was executed on a portion of the corridor north of Fairbanks. This data was gathered to provide greater detail on permafrost characterization and to validate design assumptions;
- Immersive Video (360 degree view) was acquired for the entire pipeline route in Alaska (Alberta mainline and Valdez LNG option) with the exception of approximately 60 miles in the Atigun Pass area. This provides additional tools for work scheduled for this winter;
- The project team has continued to engage with regulatory agencies in Alaska/Canada/U.S. to advance permitting and regulatory review processes;
- Meetings have been held with external stakeholders including Alaska Native and Canada First Nations representatives; and,
- The APP is developing plans to expand the work and staffing necessary to achieve major Northern Pipeline Agency (NPA) filings and FERC applications in 2012, including significant expansion of field work to be conducted in Alaska and Canada in the coming year; and
- The APP has invested in a significant workforce and labor program recognizing that tens of thousands of jobs will be created in North America.

Work has progressed on logistics for moving pipe, materials, equipment and manpower to the various locations during construction.

Infrastructure evaluation has been progressing. A number of meetings have been held with various port facilities, the Alaska Railroad and the Alaska Department of Transportation in this regard. Work has progressed on commissioning and overall asset management planning for all facilities. Additionally, ExxonMobil has announced an expanded and aggressive work plan for 2010 in the Pt. Thomson region where an estimated 9 trillion cubic feet (tcf) exists.

The APP application in Canada is being processed through the Northern Pipeline Agency (NPA). The NPA was created with the proclamation of the Northern Pipeline Act in April 1978 to oversee planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project by the Foothills Group of Companies. The NPA acts as a single window between federal authorities and the Foothills Group of Companies, and between provincial and territorial governments, and the United States. In keeping with the Act, many regulatory powers of other Government of Canada departments and agencies related to the pipeline project are delegated to the NPA. This is not the case for those powers reserved exclusively to the National Energy Board or shared between the Board and the NPA.

Denali—the Alaska Gas Pipeline (Denali)—Denali was formed in April 2008 and is owned by BP and ConocoPhillips. Since the formation of Denali, the company reports that it has spent over $120 million to move its project towards the Open Season.

Denali applied for and received approval to use the FERC Pre-file process in June 2008. Since May 2009, Denali has been submitting monthly updates on project activity to FERC, which are located on FERC's e-library under Docket PF08-26-000.[4] In May 2009, FERC notified Denali that they had selected Argonne National Laboratory as the third-party contractor to assist FERC staff in the preparation of Denali's Environmental Impact Statement (EIS). Denali indicates that it will begin its open season in 2010.

According to Denali, key milestones and accomplishments to date include:

- Established offices in Anchorage and Calgary;
- Completed a significant field study program in Alaska;
- Established a Tok, Alaska field office;
- Awarded a multi-million dollar contract for preliminary engineering for the gas treatment plant (GTP) in February 2009 to Fluor/WorleyParsons Arctic Solutions with CH2MHill as their exclusive Alaska subcontractor;
- Awarded a multi-million dollar contract for preliminary engineering for the pipeline in April 2009 to Bechtel;
- Pre-filed with the FERC in June 2008;
- Filed for a right-of-way across federal lands in Alaska with the Bureau of Land Management (BLM);
- Conducted field studies in Canada;
- Advanced the engineering, environmental work, cost estimate and execution planning for the pipeline;
- Advanced the engineering, environmental work, cost estimate and execution planning for the GTP;

[4] Denali Application Monthly Reports and Submissions FERC e-library: http://elibrary.ferc.gov/idmws/search/eSave.asp?cnt=200&dt=All&cat=submittal,%20issuance&dkt=PF08%2D26&ft=fulltext&dsc=description.

- In Canada, the Major Projects Management Office (MPMO) has been designated by Canadian authorities as the “single window” entry point into the Canadian federal regulatory process;
- Signed reimbursable service agreements with the Alaska Department of Natural Resources and the BLM to facilitate progress on a right-of–way through Alaska;
- Continued progress on stakeholder engagement in the U.S. and Canada;
- Participated in over 450 outreach meetings in Alaska and Canada since the formation of Denali**;**
- In partnership with others, completed two workforce development projects in Alaska;
- Signed Cooperation Agreements with several Canadian Aboriginal groups;
- Accepted Argonne National Laboratories as the third party contractor to represent the FERC in Denali’s pre-file activities;
- Expanded Denali’s contact with government agencies, departments and personnel in both the U.S. and Canada;
- Continued discussions with the FERC, OFC, National Energy Board (NEB) and MPMO to lay the groundwork for filing for a CPCN in the U.S. and Canada;
- Began pre-open season discussions with potential anchor shippers;
- Advanced commercial and regulatory preparations for open seasons in 2010 in both the U.S. and Canada; and
- Denali has invested in a significant workforce and labor program recognizing that tens of thousands of jobs will be created in North America.

The Denali application in Canada will be processed by the Major Projects Management Office (MPMO). The MPMO was established in 2007 to support the Government of Canada’s new approach to the regulatory review of major resource projects – an approach that ensures a more effective, accountable, transparent and timely review process. The MPMO's mandate is to provide overarching project coordination, management and accountability for major resource projects within the context of the existing federal regulatory review process and undertake research to identify options that drive further performance improvements to the federal regulatory system for major resource projects. Denali's first step is to submit to the MPMO a Project Description and then the MPMO will coordinate a project agreement between the appropriate Canadian agencies that have permitting and authorization responsibilities. Denali is working closely with Canada in crafting a comprehensive Project Description.