ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

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VIA ELECTRONIC FILING

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ATTN: Ellen Sebastian

RIN 0648-AX50

Dear Ms. Brix:

***Re: Comments of the Office of Federal Coordinator—Proposed Rule to Designate Critical Habitat for the Beluga Whale (*Docket No. 090224232-9334-02/RIN 0648-AX50)**

This submission serves as the comments of the Office of Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) in response to the National Marine Fisheries Service (NMFS) proposed rule and request for comment regarding Endangered and Threatened Species; Designation of Critical Habitat for Cook Inlet Beluga Whale [Docket No. 090224232-91321-03] published in the Federal Register on December 2, 2009.

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). OFC has a specific 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.

The Alaska natural gas transportation project is a proposed high pressure 48" gasline that over its lifetime will carry trillions of cubic feet of natural gas from the North Slope of Alaska to the lower 48 states. The project will be the largest private sector funded infrastructure project ever undertaken in North America with construction value estimated as high as $42 billion dollars. The pipeline will extend approximately 1,700 miles with over 700 miles in Alaska and over 950 miles in Canada. Building it will require 2.5 million of tons of steel, hundreds of pieces of heavy equipment and thousands of workers. Indeed, over its lifetime it will generate tens of thousands of direct, indirect and induced jobs in Alaska, the lower 48 states and Canada. Much of the steel,

equipment and other supplies for this project will to move through ports in the Cook Inlet for transportation and staging. Moreover, one or more ports in the inlet might need to expand to accommodate project materials and related work. The project will also generate increased ship movements of various types through the Inlet.

Because it will transport high volumes of clean natural gas, the project will improve American economic, environmental and energy security for decades. Alaska's vast reserve of clean natural gas needs a reliable transportation system to supply the lower-48 states with this important and environmentally favorable energy source. 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.[1]

Public Law 108-324 found the project in the national interest and authorized $18 billion dollars in loan guarantees for its construction. In 2009 the Senate Energy and Natural Resources Committee reported out legislation that would increase the loan guarantee to $30 billion dollars. The project has support from the Administration, the Congress and the State of Alaska.

Two competitive project applicants Denali (a partnership of ConocoPhillips and B P, L.L.C.), and the Alaska Pipeline Project (APP) (an arrangement between TransCanada and Exxon Mobil working under a license TransCanada holds from the State of Alaska) have started preparatory planning and data gathering for the project at a cumulative cost reported to already exceed $200 million dollars. Both applicants have filed for and received approval from the Federal Energy Regulatory Commission (FERC) to use the FERC prefiling process for the project. On January 29th 2010, in accordance with regulations published by the FERC, APP filed its Open Season Plan to solicit shipping commitments for the project in 2010. Denali has stated it will file notice for Open Season in April of 2010. Additional details on the project status are described in the Appendix below.

The Endangered Species Act (ESA) requires economic and other effects to be taken into account and balanced for critical habitat designations. Areas may be excluded from critical habitat if it is determined that the benefit of such exclusion outweighs the benefit of specifying such areas as critical habitat unless failure to designate these areas will result in the extinction of the whales.

The proposed designation of critical habitat to protect beluga whales in the Cook Inlet does not describe the economic impacts of the designation on the gas pipeline project, nor how impacts of the designation on the economic, environmental, energy and national security interests of the nation relative to this project, which Congress has endorsed, were taken into consideration and balanced in accordance with Section 4 of the Act. Even relatively short delays from new requirements for analyses or approvals have enormous implications for a project of this size. In its economic analysis, NMFS estimates the proposed designation will cost local communities and businesses $600,000 over the next decade in additional regulatory oversight. Regulatory delays for a project of this scale can cost more than $10 million per month. There is much at stake, and

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

the Cook Inlet is expected to be a major landing and staging area for the shipping in of project equipment, steel piping and transportation system components. Delay that causes a seasonal construction setback could easily have adverse construction cost impacts in the hundred of millions of dollars. It would also set back the environmental benefit to millions of people across the nation from expanded use of the clean natural gas from Alaska the pipeline would carry. And it would delay tax and other revenue that the flow of gas would generate. Moreover, it is our understanding that extensive restrictions ranging from prohibitions on native subsistence hunting to costly shut down of certain activities at the Port of Anchorage when belugas are in the vicinity are already in place to protect and recover the species based on their endangered status.

We believe that a beluga whale critical habitat designation in the Cook Inlet should exclude ports and shipping corridors that might handle project materials, and should be crafted as narrowly as possible to not unnecessarily interfere with or delay a large natural gas pipeline project. The proposed designation must carefully consider and balance the potential economic burdens to, and the positive jobs, environmental and fiscal impacts of the project with the benefits of the critical habitat designation. It should avoid creating unnecessary new cost risk to the project relative to transportation or fabrication of materials around Anchorage or open another potential door for costly litigation.

The NMFS analysis also should consider the risk federal and state agencies, businesses and local communities could incur from challenges to permits for project-related activities inside or near the proposed critical habitat. Approximately 90% of all goods coming into Alaska enter through the Port of Anchorage.

Delay for this and other projects will also result if the Service and agencies do not have the resources to expeditiously, and perhaps simultaneously, conduct needed consultations for all projects that depend on the Cook Inlet transportation corridor.

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

Sincerely,

Thomas J. Barrett

Admiral Thomas Barrett
Deputy 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 Beluga Whale* (Docket No. 090224232-9334-02/RIN 0648-AX50)**

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." Alaska has 35 trillion cubic feet (tcf) of identified gas reserves, with 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 2020. 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.

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 the 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 have been underway gathering 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 filed its Open Season Plan with FERC to obtain approval to conduct a natural gas pipeline open season commercial offering on January 29th 2010. There are ongoing discussions with potential shippers in Alaska and Canada, for both the Alberta mainline and Valdez LNG options. TC is treating 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) submits monthly updates on project activity to FERC that are located on FERC's e-library under Docket PF09-11-000.[2]
- Undertaking additional field programs including a ground-based geophysical program, acquisition of LiDAR data and Immersive Video.

According to APP, 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

[2] 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

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. APP 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 submits monthly updates on project activity to FERC, which are located on FERC's e-library under Docket PF08-26-000.[3] 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 file for open season in April 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;
- 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;

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[3] 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.

- 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.