ALASKA NATURAL GAS PIPELINE
PROJECT FACT SHEET
MAY 2012

THE PROJECT

The proposed Alaska Pipeline Project (a joint undertaking of TransCanada and ExxonMobil) to move Alaska North Slope natural gas to the Lower 48 states is currently on hold, waiting for North American gas prices to improve and for shippers to commit to the project. The partners had been working the past three years toward a pipeline that would move North Slope gas to Alberta, where the gas would feed the North America pipeline grid to supply customers in the West, Midwest and East, or anywhere else connected to the grid.

The route primarily would follow the existing oil pipeline right-of-way in Alaska, with several take-off points available along the way. At Delta Junction, the route would turn toward Canada and run along the Alaska Highway to northern Alberta.

The route to Alberta would consist of approximately 800 miles of pipeline in Alaska and 1,000 miles in Canada. The project would take at least eight years to permit and construct, with natural gas not expected to flow before 2020. The construction cost was estimated in 2010 at between $26 billion and $42 billion, and would require more than 2.5 million tons of steel and tens of thousands of workers and support staff.

Should the project proceed, the developers, with state and federal permitting agencies, will consider the impacts associated with constructing and operating the pipeline, including socio-economic and health issues for local residents, construction in permafrost, wetlands, stream crossings, waste disposal, cross-border pipeline design standards, earthquake hazards and climate-change effects.

Hiring and training workers is also on the planning list, as is the need to figure out which ports, docks, roads, bridges and railways would need to be built or upgraded to handle the project's construction load.

The Alaska Pipeline Project entered the Federal Energy Regulatory Commission pre-file process in 2009, held an open season in 2010 to find out who was interested in shipping gas on the pipeline, and conducted extensive field work in 2010 and 2011 to collect the data and other information needed to file a project application with the commission. The project's anticipated October 2012 application to FERC has been postponed, pending improved market conditions and work on an alternative project to take North Slope gas to market in Asia aboard liquefied natural gas tankers. BP and ConocoPhillips have joined with ExxonMobil and TransCanada to look at the possibility of an LNG export project instead of a pipeline to North America markets. More information on the LNG option is expected in October 2012.

OFFICE OF FEDERAL COORDINATOR

Congress in 2004 established the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects to help expedite and coordinate federal permitting and construction of a North Slope pipeline. The office helps coordinate between more than two dozen federal agencies, the Canadian federal government, the state of Alaska, Alaska tribal governments and other stakeholders. The office is an independent federal agency that reports to the White House.

Federal law says the Federal Coordinator shall work with any potential developer to move gas from Alaska's North Slope into the North American market. A change in federal law could be required for the office to exert its statutory authority over an LNG export project, but until the project sponsors decide which line they will build the office will continue with its public education and outreach work regarding Alaska natural gas projects in general, while also assisting state and federal agencies in project development.

Congress in 2004 also authorized an $18 billion federal loan guarantee to assist a project developer in lowering its borrowing costs. Congress further provided several hundred million dollars in tax benefits for the project developer. The financial assistance would apply only for a project that delivers gas into North America.

The office's role does not include oversight of the formal government-to-government consultation process with Alaska Native tribes — that will be managed by the Federal Energy Regulatory Commission, the federal agency responsible for the project's environmental impact study.

WHAT WILL IT TAKE TO BUILD THE LINE?

No multibillion–dollar pipeline gets built without shipping contracts to cover the pipeline construction costs, operation and maintenance. Those contracts — totaling tens of billions of dollars would enable the pipeline developer to borrow money for construction and are binding commitments to pay to ship gas regardless of the market price for the gas at the other end.

Because of enormous cost and risks, the developer and shippers need to feel confident the pipeline will be built on time and on budget. North Slope producers also need to feel confident that natural gas prices will be high enough over time to cover production and shipping costs. North American prices in May 2012 were low, but most industry analysts expect prices to climb in the years ahead. LNG prices in Asia in May 2012 were significantly higher, but there is a lot of competition for that market. The major North Slope producers are looking at both markets to determine the best option.

Finally, the North Slope producers, which would pay tens of billions of dollars in state taxes and royalties over the years, need to feel comfortable that the state fiscal rules that make sense on the first day of the project will continue to make sense while they're paying off the mortgage on the pipeline.

The market will ultimately decide what gets built and when.

CONTACT AND ADDITIONAL INFORMATION

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