

**ALASKA NATURAL GAS PIPELINE  
PROJECT FACT SHEET  
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**INTRODUCTION**

Alaska has gas, lots of it. The more the nation turns to natural gas for generating electricity, heating homes and offices, running factories, supplying manufacturers and even motor vehicle use, the more attractive Alaska gas becomes.

Natural gas burns cleaner than coal or oil. Alaska's natural gas would provide a stable, long-term domestic supply of clean energy. The White House is committed to promoting natural gas as a cleaner-burning fuel and a domestic energy source that can create jobs.

**THE PROJECT**

The Alaska Pipeline Project (a joint undertaking of TransCanada and ExxonMobil) is currently the only project applicant. They are working toward the goal of moving Alaska gas to market by taking Alaska North Slope gas to either Alberta, where the gas would feed the North America pipeline grid to move gas to the West Coast, Pacific Northwest, Midwest, East Coast, or anywhere in between, or to Valdez where the gas would enter the global liquefied natural gas market.

The route to the lower 48 states would follow, primarily, along the existing oil pipeline right-of-way, with several take-off points available along the way in Alaska. 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 730 miles of pipeline in Alaska and more than 1,000 miles in Canada. The project will take 10 years to permit and construct, with natural gas not expected to flow before 2020. The construction cost is estimated between \$26 and \$42 billion and will require more than 2.5 million tons of steel and tens of thousands of workers and support staff.

The project developers, along 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 will 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 if anyone was interested in shipping gas on the pipeline, and is conducting extensive field seasons in 2011 and 2012 to collect the necessary data and other information to file a complete application with the Federal Energy Regulatory Commission in October 2012. The Alaska Pipeline Project continues to work with potential shippers on Precedent Agreements to sign, hopefully, in 2011. If enough shippers – most likely the major North Slope producers – commit to use the line, a developer can move ahead with permitting, final project design and writing checks to buy the steel to build the pipeline.

**OFFICE OF FEDERAL COORDINATOR**

Congress in 2004 established the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) to help expedite and coordinate federal permitting and construction of a North Slope pipeline. The OFC helps coordinate between more than two dozen federal

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agencies, the Canadian federal government, the State of Alaska, Alaska tribal governments and other stakeholders. The OFC is an independent federal agency which reports to the White House.

Federal law says the OFC shall work with any potential developer to move gas from Alaska's North Slope into the North American market. The law does not cover a line moving Alaska gas solely for export or an exclusively in-state pipeline – but in-state off-takes are included.

Congress in 2004 also authorized an \$18 billion federal loan guarantee to assist a project developer in lowering its borrowing costs. Congress also provided several hundred million dollars in tax benefits for the project developer. Congress is considering legislation raising the loan guarantee to \$30 billion to more accurately reflect current construction estimates.

The OFC's role does not include the oversight of the formal government-to-government consultation process – that will be managed by the Federal Energy Regulatory Commission which is 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 for 20 years or more. Those contracts – totaling more than \$100 billion – 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 shipping costs. Prices in May 2010 were low, but most industry analysts expect prices to climb in the years ahead – will it be high enough?

And the North Slope producers, which will be paying tens of billions of dollars in state taxes and royalties over the years, need to feel comfortable that the fiscal rules that make sense on the first day of the project will make sense long enough to pay off the mortgage on the pipeline.

Finally, only one pipeline will be built. The market will ultimately decide the terms under which the North Slope producers commit their gas and which of the two developers will build it.

### CONTACTS AND ADDITIONAL INFORMATION

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