

# Alaska's Gas, What's Next?

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What's next for an Alaska North Slope natural gas pipeline will have to include federal export approval, if Alaska's gas goes overseas.

But that's jumping ahead.

I believe what's next will depend as much on the public's expectations and Alaska politics as on global gas markets.

For more than 40 years, Alaskans have waited for a North Slope natural gas pipeline.

For more than 40 years, we have let our dreams and emotions get the best of us.

For more than 40 years, we have argued over who should build, who should finance, who should own that mythical gas pipeline. Where should it go? How big should it be?

And we've argued over who's to blame for the fact that after 40 years there is no pipeline, no construction under way.

Truth is, blame natural gas markets. Blame competing gas supplies. Blame the laws of supply and demand.

Just blame reality. The project has been too risky. The gas would have been too expensive. No one needed it at the price it would cost at delivery. No one wanted to pay to make our dream come true.

And political rhetoric is at fault, too, for fueling unreasonable expectations among the public.

But it hasn't been so bad. The gas has been used to produce more oil, generating billions for the state treasury and Alaskans.

I contend the time has come, however, when Alaska needs a gas line — even more than it wants it.

We need the line for the decades of affordable gas it would bring to Alaska homes and businesses in the Interior and in Southcentral. Maybe propane and compressed natural gas for other areas of the state, too.

We really need it for the long-term boost it would give to North Slope oil exploration and production.

Which means we need to get smart. Use the gas to make life better for Alaskans while pocketing the real cash from oil. The benefits will accrue for decades.

So to answer the question of this panel, “Alaska’s Gas, What’s Next?”, I’d say more arguing among ourselves until we recognize that the world doesn’t need our gas as much as we may think it does.

Buyers have lots of gas supply options. Which means Alaska gas needs to be price competitive. Which means we need to work with the oil companies to see if there is a way to structure a financial deal to grab a share of a gas market, any market.

I say that because the state stands to gain the most from a gas pipeline project.

Unlike oil and gas companies, which have other investment options, Alaska has no other affordable option that would deliver the same low-cost gas to Alaskans while promoting billions of dollars of new oil and gas investment on the North Slope.

And when I say structure a financial deal, I don’t mean subsidize. I mean maybe finding if there is a way the state can defer or reduce its take in the early years to allow quicker cost recovery — less risk — for the private developers.

Or maybe participate in the project as a financial partner to share in the risk, while sharing in the rewards.

Or negotiating a tax structure that recognizes the growing price competitiveness of world gas markets.

Alaska needs to see the gas line as a long-term benefit — not as an instant profit center to relive the oil-boom years of the 1970s and 1980s.

That’s where the public’s expectations are important.

Too much politically induced optimism leads to public frustration — and I contend a frustrated public makes bad decisions.

Alaskans' gas line frustrations go back a long time.

But let's just look at the past decade.

Gov. Tony Knowles — a smart man — told Alaskans in late 2000 that he thought we could be turning the first shovel of dirt on the project by the end of 2002. Didn't happen.

Come 2002, frustration gave us a voter initiative for the Alaska Natural Gas Development Authority. Vote yes and a new state agency will magically build a pipeline. No source of funding, no price tag, no cost to the public.

Sixty-two percent of Alaskans voted for that easy dream.

Then there was the unfinished Stranded Gas Development Act deal of 2006 presented by Gov. Frank Murkowski. Legislators — and the public — were so frustrated with that mess, lawmakers didn't even bother to vote on it.

The politics of that were uglier than a touchdown call by a replacement NFL referee.

Gov. Sarah Palin in 2007 gave us her cute acronym for a serious project — AGIA, the Alaska Gasline Inducement Act. She told us AGIA would get Alaska its long-awaited gas pipeline. She even told the nation in 2008 that work was under way.

You betcha. More frustration.

AGIA was, is and will be nothing more than a way to get the building permit for the pipe. It was oversold by its supporters.

Not that AGIA is bad and not that a building permit is a bad thing. You need it. But without shippers, gas customers, signed contracts, financing and reasonable tax terms, all you have is a building permit.

And now, in 2012, Alaska is back in love with LNG to Asia. That notion has been around since before oil started flowing through the trans-Alaska oil pipeline.

But the same old problem is still the same old problem. Unless there are customers willing to sign long-term deals to buy the gas at a hefty enough price to pay the bills on maybe a \$40 billion or \$50 billion construction package, there will be no cargoes heading to Asia.

Optimism is nice, it's heart warming and inspiring, but Alaska needs to deal with reality.

Want a gas line? Everyone needs to work together to make the gas cost competitive. That means the state and the producers.

Want a gas line? Quit arguing over who builds it — those willing to write the checks and take the risks will own it.

Quit fighting over where the pipeline terminus will be built. Cost and logistics will decide that.

Quit claiming that the state can spend billions to construct the project — even without guaranteed customers — and then somehow magically turn a profit. Or sue the producers.

Accept that Alaska needs to compete with other, lower-cost gas suppliers.

Fight for the pipeline, not over it.

Count the real benefits of gas for Alaskans, the investment dollars, long-term tax and royalty dollars.

Or we can avoid reality and wait it out. I expect it could be a long wait.