

TAGS to Valdez Still Makes Sense

By Representative John Harris

So, there you have it.

The North Slope producers have come out and flatly stated that neither the Governor's highway route nor the "over the top" route would pay the 15 percent return on investment they require to construct a natural gas pipeline.

This conclusion, on top of the other unanswered questions stirred up by choosing either route through Canada, pretty much nails down the coffin lid. It's been an interesting road show, and I don't blame the producers for conducting it. They were responding to the public's demand to do something with the gas, and the huge spike in natural gas prices last winter spurred everybody on.

But a gas pipeline to the Lower 48 isn't going to happen, no matter how much we wish it were so.

On the other hand, the Trans-Alaska Gas System (TAGS) project to Valdez still lives. It is still viable. It is still economical. It is an all-Alaska line that would provide Alaskans jobs during construction and on into the future during operations. It would also bring clean-burning, inexpensive natural gas to the Interior and to communities all along the Richardson Highway.

Yukon-Pacific, the permit holder for the TAGS line, estimates their project would cost \$10 billion, significantly less than the \$15-17 billion the projects through Canada would cost. They also estimate they can deliver LNG to the US west coast for \$2.10 per million BTUs, way under the \$3.00 it will cost west coast users to obtain LNG from foreign sources. And, they expect to be able to deliver LNG to Asia, where Alaska has had customers for 32 years, for about \$2.62 per million BTUs.

I have not been a cheerleader for any particular project, although it would definitely be advantageous to my hometown of Valdez to have the TAGS project go. However, the handwriting on the wall seems pretty clear to me. The producers are not enamored of either the Governor's highway route or the over-the-top route. The objective, now, is to get them enamored of the TAGS project.

My observation of the oil companies is that they are not going to do something that is not in their best interests if they don't have to. They are responsible to their bottom line and to their shareholders. I don't have a problem with that – capitalism, after all, is a huge part of what made America great.

To get the oil companies to see that the TAGS project is now in their best interest, just as it is in Alaska's best interest, will take a concerted effort on several fronts.

First, the Citizens Initiative for an All-Alaska Gasline has been authorized to obtain signatures and try to gain placement on the November 2002 ballot. This initiative would create a publicly owned port authority to oversee private construction and operation of the gas pipeline to Valdez. I would encourage Alaskans to support this approach or the port authority blueprint put forth by the local governments of Valdez, Fairbanks and the North Slope Borough.

Second, the producers need all the encouragement we can give them to do the right thing. Alaskans should take every opportunity to thank them for their past and current involvement in our state and our communities. At the same time, ask them to get on board with the All-Alaska Gasline; to agree to hire Alaskans at fair wages to build it; and support a project labor agreement to expedite the whole process.

Finally, it is true that the Legislature holds various sized hammers over the oil companies, but has been less willing over the past 20 years to use them than many Alaskans think we should. While the symbiotic relationship between the state and the oil companies has produced countless benefits for Alaskans, the fact is the oil companies are still getting the best deal in the world on the North Slope. In my view, it has been worth the \$100 million or so they have spent on studying alternative gas pipeline routes to the Lower 48, to keep the Legislature—and those who would impose taxes for sitting on the gas—at bay. We will be encouraging them to do the right thing, too.

The pipelines through Canada were just pipe dreams. We should now acknowledge that is what they were and get on with more realistic proposals. Let's start with TAGS.

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