

# Alaska State Legislature



## House of Representatives HOUSE MAJORITY NEWS

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### **Gasline Incentive Bill Moves to House Floor** **Kott: 'House Leaders Want Pipeline, Governor Wants Headlines'**

(JUNEAU) – The House Rules Committee today voted in a brief public hearing to bring a natural gas pipeline incentive bill to the House floor on Monday. The legislation, [HB 519](#), contains property tax relief provisions designed to encourage development of Alaska's vast proven North Slope natural gas reserves.

"Unfortunately, it became clear today that the governor is more interested in headlines than pipelines," said Rep. Pete Kott (R-Eagle River), chairman of the House Rules Committee. "At the governor's request, I delayed taking action for nearly a week to allow him to submit his proposed amendments -- only to have him stall for days, then pull a publicity stunt just before our hearing. Yesterday he said he could support a 'reduced incentive' -- but today he insists on something totally different."

With just 10 days before the end of regular session, further delays seriously threaten the bill's chance at passing the House and Senate this year, said Speaker of the House Brian Porter (R-Anchorage). He noted that the final details of HB 519 may be hammered out in amendments on the House floor or in the Senate.

"The gas pipeline is by far Alaska's biggest and most promising economic development opportunity -- but the window of opportunity will not be open forever," Porter said. "If we don't pass some legislation in the next ten days, there will be no pipeline, perhaps for many decades."

As approved by the Rules Committee, House Bill 519 would encourage construction of a gas pipeline to bring the North Slope's estimated 35 trillion cubic feet of natural gas reserves to market. It does so by offering an incentive to pipeline builders and operators in the form of temporary relief from state and local property taxes during the project's construction phase, and in the first year of operation.

Kott said the committee has held the bill for nearly a week while working out several compromises the governor sought as a condition for his support. These include reducing the post-construction-tax relief from three years down to one year, and encouraging rapid progress on the project by conditioning the tax exemption on specific deadlines for permit applications, right of way acquisition and open season contract solicitation.

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Knowles' new amendments would provide a limited property tax exemption during construction, but then take it back in the form of a production tax once the gas started flowing. The problem with that, legislators said, is that the Knowles proposals would change HB 519 from a tax relief bill to a tax deferral bill that does almost nothing to encourage pipeline builders to accept the project's risks.

"Since this bill was introduced nearly a month ago, there have been numerous significant changes as it has gone through the committee process," said Rep. Eldon Mulder (R-Anchorage), co-chair of the House Finance Committee. "We have made every attempt to accommodate the governor and others seeking to improve it, and we thought we were getting very close to having a workable agreement, until today's bombshell. It became clear further negotiations at this time would be pointless."

After spending \$125 million on a year-long study of the economic viability of a natural gas pipeline project, Alaska's three major oil and gas producers have testified that without incentives, the \$20 billion project is far too risky and not economically viable at this time.

Kott said that HB 519 represents a sincere effort by the Legislature to provide a meaningful and fair incentive to jumpstart the pipeline project, and while reasonable minds can disagree on certain elements of the bill, reasonable minds also understand the need to keep the process advancing.

"We know that we have enough gas to fill a pipeline for up to a 100 years," he said. "We know the project would generate \$50 billion in state revenues, and create thousands of Alaskan jobs and billions in new economic development in the state. Sure, we could continue to talk till the cows come home, but if we want to realize any of that potential, we need to keep this legislation moving."

Mulder stressed that all Alaskans share a common interest in seeing the project become reality, and he encouraged supporters not to lose sight of the forest for the trees.

"The same governor who said his way was the highway is now apparently saying it must be his way, or no way," said Mulder. "That's unacceptable – and Alaskans shouldn't stand for such political gamesmanship on an issue so critical to Alaska's long-term economic future."

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