

COMMUNITY
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Business News

Energy Galore?

Two weeks ago the Anchorage Marriott hosted a group of energy executives at the 9th Annual Oil & Gas Congress. The theme was "Advancing Alaska as a Global Energy Competitor". Attendees hailed from Australia, Japan, Calgary, Bismarck, Houston, Washington, D.C. and elsewhere. Several dozen participants work and live in Anchorage, Barrow, Juneau and Fairbanks. The event included an "Alaskan Critical In-State Energy Summit", Chaired by Drue Pearce, former Alaska State Senate President.

The good news out of the meeting was that local reliance on natural gas for home heating and generating electricity is safe for a few more years—2018 or later.

Back in 2009, you heard

that utilities could not promise sufficient gas supplies beyond this year, 2013.

Mayor Dan Sullivan spoke of his Administration's accomplishments. Accomplishments included his Administration's support for exploration and production incentives in Cook Inlet. Those incentives, along with ENSTAR Natural Gas' new gas storage facility on the Kenai Peninsula, have improved local gas supplies.

Later in the meeting Buccaneer Alaska's President James Watt was optimistic that Southcentral Alaska could see development of more and more secure gas supplies from Cook Inlet.

It was concluded that legislative incentives have

worked to attract more companies to the Cook Inlet area, employ more Alaskans and produce larger volumes of natural gas which are so critical to our families and businesses.

Then we turned to state funded energy projects.

Jim Hemsath of the Alaska Industrial Development and Export Authority described his project to move LNG by truck from the Alaska North Slope (ANS) to Fairbanks.

The state also funds the Alaska Gasline Development Corporation (AGDC) effort to move gas by pipeline from the ANS to Fairbanks and Southcentral Alaska. It could be completed by 2020, said CEO Dan Fauske.

Alaska Energy Authority Executive Director Sara Fisher-Goad discussed progress of the state funded Susitna-Watana Hydroelectric Project.

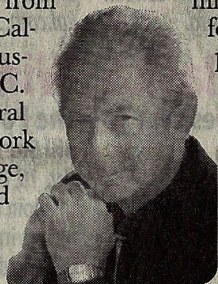
Several speakers advocated more state energy subsidies for electric transmission lines.

Federal Alaska Gas Pipeline Coordinator, Larry Persily said that the Alaska Gasline Inducement Act (AGIA) project, also partly funded by the state, would make other projects unnecessary if it moved large volumes of ANS gas through Fairbanks to Southcentral Alaska.

But I have concerns.

Here are two.

First, we have Energy Projects Galore. The state is financing a slug of projects designed to help residents and market Alaska natural gas. But there are questions. 1) If LNG trucking to Fairbanks happens, would those facilities be stranded if a gas pipeline is built through Fairbanks? 2) If one of the two ANS gas pipelines were built would the Fairbanks and An-



By Dave Harbour

chorage utilities have plenty of gas to produce electricity, stranding the hydroelectric project – or the other way around? 3) Cook Inlet producers need to sell any gas they find to utilities from Fairbanks to Anchorage. But would utilities buy Cook Inlet gas if they obtained electricity from a lower priced hydro project or signed long term gas transportation contracts with a North Slope gas pipeline? 4) Would there still be a demand for AGDC gas locally if low cost hydro comes on line? Etc.

Second, we have Dwindling Oil and Dimming Prospects. The Alyeska oil pipeline is Alaska's economic lifeline. Now operating at 1/4 capacity, Alaskans depend on it for 90% of their state operating budget and over half of the economy. Some say Alaska is uncompetitive because of 1) high oil taxes and tight environmental regulations, 2) the remote area, 3) harsh climate and, 4) some of the highest labor costs. Can someone build a natural gas pipeline and sell the gas abroad if our competitors from British Columbia, Australia, Indonesia, Russia and Qatar offer cheaper prices? The Legislature and Governor last spring agreed to reduce the exorbitant oil production tax. But others are promoting a voter referendum to repeal tax reform and keep oil taxes high. According to another speaker, the future looks bleak. Roger Marks is a retired Senior Oil and Gas Economist for the State of Alaska. "The fact that this referendum vote is even happening undermines the state," he said. "There is a lot of uncertainty and political risk going forward."

I believe that risky energy projects are usually best financed by expert energy in-

vestors who are highly motivated not to waste their own money and that we should support and encourage investors. At times politicians would do well to listen to the problems of their major investors and offer to help rather than jump into action with competing, expensive political remedies. At other times, government intervention can be justified. For example, the state-funded Bradley Lake hydroelectric project produces cheap power for Alaskans but when it began operations in 1991, it was not competing for local markets against other state funded energy projects.

If state energy subsidies are employed, perhaps they should fall within an overall "energy plan" that avoids duplication and waste, using the Bradley Lake model.

Finally, I have to ask; shouldn't our first priority be to keep the diminishing Alyeska oil pipeline alive so that it can keep our state economy alive? After all, if Alyeska goes down there will be little need for more local energy or today's multi-hundred million dollar state subsidized, energy projects.

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The opinions in this column are those of the author and do not necessarily reflect those of the editors.



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