

Gas Pipeline: Issues Update



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Strategic View: *Oil and Gas Synergies*



- Must consider the state's broad strategic interest in maximizing the development of North Slope oil and gas resources
- Need to ensure that a gas pipeline will:
 - Improve exploration economics substantially because explorers will know that they will be able to monetize any discovered gas and/or oil
 - Stimulate much needed North Slope investment because the presence of transportation infrastructure will ensure explorers have an opportunity to market gas and/or oil
 - Make smaller oil accumulations more economic
- Long-term strategic outcome: gasline development helps spur TAPS and vice versa; two lines delivering oil and gas for decades



Progress on *Commercializing North Slope Gas*



- Substantial progress moving forward on a gas pipeline under AGIA and AGDC
 - Environmental work; Engineering; Permitting; Legal
 - This time-consuming work must be accomplished for any pipeline project
- APP Open Season last summer
- Point Thomson
- However, there is frustration and urgency to accelerate the commercialization and delivery of our gas; the Administration shares this
- But, the sense of urgency should not force us to make strategic mistakes
- Abandoning work that has already been accomplished could set us back many years



Path Forward: *Need for Humility and Flexibility*



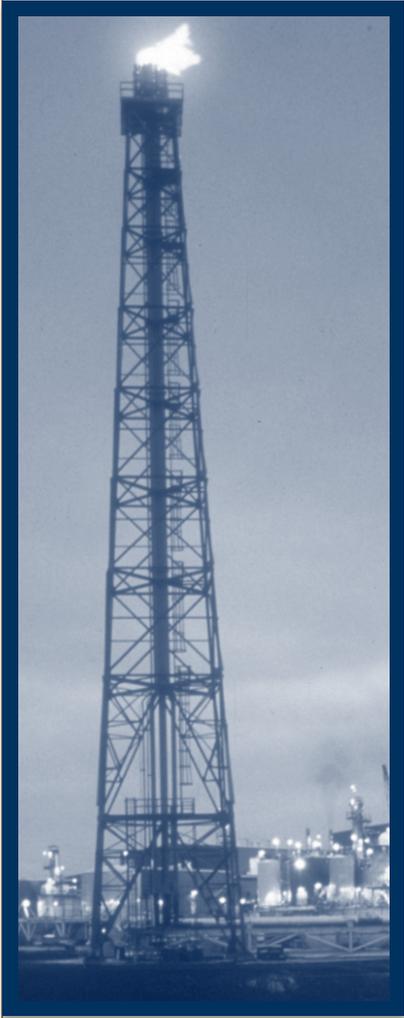
- **Markets are fluid and have shifted considerably**
 - Plans for major NA importing LNG shelved
 - Many experts missed shale gas revolution, e.g. Mulva *WSJ* Interview
 - Asia economic growth and Japanese nuclear issues
 - Renewed Cook Inlet interest
 - North Slope oil at a premium to WTI
- **There is uncertainty about the future**
 - When will LNG decouple from oil?
 - Will Japan move off of nuclear?
 - Will the shale revolution increase supply in Asia and Europe?
 - Will the shale revolution continue in the Lower 48?
- **U.S. and global economic growth outlook is uncertain**
- **Mega-projects take a long time to complete**
 - AGDC 2019

Path Forward: *Common Challenges and Possible Synergies*



- **Common challenges for any project in Alaska**
 - Dynamic market conditions
 - Uncertain shipper commitments
 - Resolution of fiscal terms at appropriate time
 - Scattered allegiances/constituencies
- **Possible synergies for any project in Alaska**
 - Common route north of Livengood
 - Securing reliable energy supply for in-state use
 - Workforce development
 - Markets and usage beyond existing in-state needs
 - Alignment on data acquisition and permitting
 - Synchronized open seasons

Path Forward: *Key Principles and Possible Integration*



- **Key principles for any project**
 - Gas to address Alaska's in-state needs for abundant supplies of low-cost energy and economic growth
 - Gas that will maximize the value of the state's massive resource base through high-volume and export markets
 - A project that incentivizes exploration and investment in continued oil and gas development
- **Possible integration of projects**
 - Reducing redundancies and cost
 - Coherent state structure
 - Consistent state message
- **Consensus:**
 - Executive Branch/Legislature—*Public support*
 - Producers

Additional Guiding Principles



- Design a pipeline project that is flexible with respect to off-take points and possible spur lines to address future in-state needs in the Interior, Cook Inlet, and rural Alaska
- Ensure continued exploration and development of the North Slope, Foothills, and Cook Inlet for oil and gas, and increase TAPS throughput
- Ensure the gas pipeline has the capacity to allow oil and gas explorers to commercialize gas
- Reduce costs, maximize efficiencies and maintain flexibility so that market conditions can determine the best project by looking at synergies among projects
- Commercialize gas so that infrastructure is available to all parties
- Honor contracts and commitments made by the State of Alaska