

Notes from February 8 Gasline Study Group

(Unedited and not approved or agreed upon by participants)

Attendees: Bob Bulmer, Brian Davies, Joe Farrell, Dayle Lyke, Jordan Marshall, Mary Ann Pease, Jack Roderick, Grant Hunter, Bill Sobers, Jeff Staser, James Strong, Paul Wilcox, Chuck Logsdon

Discussion: (Primarily information and questions from Chuck Logsdon)

- Outline of the current pipeline in the U.S.-gas moves east to west
- Our advantage is in competition with international supplies
- Our biggest competitor is coal
- The market price-points for LNG are higher in AK
- Alaska is in a position to use the Federal risk guarantees
- If gas is found, prices should come to reasonable levels inside AK but we don't consume enough here to produce economies of scale-that is why the project is so much bigger
- The producers think that it is so large that no one producer can do it alone
- It is a policy driven process. FERC takes mandates from Congress seriously-provided special treatment to get it started.
- What is best for Alaska is the best price, lowest risk, our fair share, and environmental care.
- Gov. Murkowski spent three years getting a proposal together but when it came out, people were not impressed.
- The three big producers still control 85% of the reserves. This requires strong negotiators and savvy politicians.
- Two myths:
 - Gas will be cheap for Alaska-this would require a lot of subsidies
 - The gasline is low risk-it is all risky for Alaska
- There are incentives to build the pipeline because that is the way to get the commitment to build. FERC has laid out a plan towards an open season-but building is not without risk so nobody wants to build.
- The reason for incentives to give a high rate of return is because of the high risk if the pipeline is not built. After that, all the risk is on the resource owners.
- Companies inside Canada aren't using the Canadian process-it would go to the FERC process. Opening it up is good policy.
- Even though demand is flat we do need gas it is just about where we get it.
- There are a lot of things Alaska can do to ensure that it is our gas.
- Coal is a dirty alternative to gas but the capital is already in place.
- Would be interesting but don't know if AK should help in getting to open season.
- Gov. Murkowski plan was done to match the SGDA.
- Alaska has some weapons-taxing etc.
- There are aspects of the line that make it in the U.S. public interest-federal tax credits may come up again.
- We don't know what will come up in the next few years but Alaska is savvy on the issue now

and something should become clear soon. If it goes too long the Feds might step in.

- CWN should work with the process, follow it as it goes along, and get behind the group that has the best ideas then move to get some action.
- The fact that Gov. Murkowski is out will help the project. There is less appearance of taking too much risk with little guarantees. There is hope that the deal is fixable. The legislature did a great job.
- Unsure about the fiscal certainty of the project.