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**Press Release - FOR IMMEDIATE RELEASE**

**ALASKA GAS PIPELINE PROJECT OFFICE**

May 2, 2012

### **Large-diameter gas pipeline project to shift focus to tidewater LNG**

*Brookings Institution, U.S. Department of Energy cite promise of Alaska gas projects*

Anchorage – In a letter signed Wednesday, May 2, Natural Resources Commissioner Dan Sullivan and Revenue Commissioner Bryan Butcher approved a Project Plan Amendment (PPA) for TransCanada Alaska under the Alaska Gasline Inducement Act (AGIA). The commissioners agreed to allow TransCanada Alaska, the State’s AGIA Licensee, to shift its focus to a large-diameter line that will run from Alaska’s North Slope to tidewater in Alaska for in-state use, liquefaction and export.

On March 30, TransCanada, ExxonMobil, ConocoPhillips, and BP announced that they will work together on commercializing North Slope gas, focusing on large-scale liquefied natural gas (LNG) exports from Southcentral Alaska as an alternative to a pipeline through Alberta, Canada. The parties all agreed to do this work within an AGIA framework.

“A key benefit of the PPA is that it enables all parties – the North Slope producers, the State and the AGIA Licensee – to come together for the first time to work on commercializing North Slope gas,” said Kurt Gibson, director of the Alaska Gas Pipeline Project Office, which oversees work by TransCanada Alaska on the Alaska Pipeline Project.

As described in the Commissioners’ letter, the PPA lays out an orderly transition phase for TransCanada Alaska to shift its work on the Alberta project, focused on Lower 48 markets, to an LNG project focused on markets abroad. Furthermore, it describes the State’s significant, near-term expectations for TransCanada and the North Slope producers in keeping with Governor Parnell’s timetable for work on an LNG project, as laid out in his January State of the State Address.

The PPA calls for TransCanada Alaska to complete its initial work on an LNG project by September of this year and conduct a comprehensive market solicitation by year’s end to all potential market participants, including but not limited to North Slope producers, explorers, LNG terminal developers, and entities seeking to import Alaska gas into Asian and other markets. In early 2013, the state expects TransCanada to provide an updated,

more comprehensive PPA request that will reflect the details of the LNG project and its associated timeline. This PPA will also need approval by departments of Natural Resources and Revenue.

To accommodate the transition to an LNG project, the Commissioners have agreed to defer the filing of a certificate application for an Alberta line to the Federal Energy Regulatory Commission from October 2012 to October 2014. Approximately half of the work done by TransCanada Alaska so far on the Alberta option – including engineering and environmental studies – is applicable to an in-state LNG line. Some of the Alberta work will continue under the current PPA, either as dual use for an LNG project or to preserve work on the Alberta option for potential transfer to the State under terms of the license. This PPA will prevent unnecessary spending on the Alberta option while the LNG project is being developed.

The Commissioners' letter, posted at <http://gasline.alaska.gov>, authorizes TransCanada Alaska to perform its share of the LNG work as part of its AGIA license. The license requires the project to be developed in a manner that maximizes in-state benefits while facilitating large-scale export. In return for following these requirements, the license entitles TransCanada Alaska to reimbursements for its work on a gas pipeline and related midstream facilities. The license does not authorize reimbursement for work by the producers on other aspects of the LNG project, such as an export terminal or upstream mitigation work that may be necessary in advance of a major gas sale. TransCanada Alaska's license was authorized by the Alaska State Legislature in 2008.

In related developments that also occurred Wednesday, the Brookings Institution released findings from its year-long study on U.S. LNG exports and the Department of Energy announced a successful field trial of methane hydrate production on the North Slope. The Brookings study noted the strong competitive position of a potential, large-scale Alaska LNG project to Asia in comparison with other global LNG projects. According to Department of Energy Secretary Steven Chu, methane hydrates could “potentially yield significant new supplies of natural gas.” The Brookings Institution's report can be read at [www.brookings.edu](http://www.brookings.edu). The Department of Energy announcement can be read at <http://energy.gov>.

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