

Palin's effort best bet for gas pipeline

By REP. MIKE DOOGAN

(Published: April 17, 2007)

The major North Slope oil and gas producers -- Exxon Mobil, BP and Conoco Phillips - - don't want to build a gas pipeline.

How do I know that? Simple. If they wanted to build one, they'd be building one. They are immensely profitable companies. The federal government is offering loan guarantees. And they control the most important chip in the entire game, the North Slope gas that makes a pipeline possible.

They have everything they need to build a pipeline. They aren't building one. The only logical conclusion is that they don't want to build one.

That's a formidable roadblock to building a gas pipeline. Why? Here's how gas pipelines get built.

A company decides to build one. It does the design, engineering and other work to get a solid cost estimate for the pipeline and figure out what it will charge to ship gas through it. That charge is called the tariff. Then the company holds what's known as an open season, inviting people who have gas to sign a long-term contract to ship it through the company's as-yet unbuilt pipeline. If enough gas to fill the pipeline is pledged, the company uses the contracts to get financing and build the pipeline. (I'm leaving out things like getting a permit from the Federal Energy Regulatory Commission and, believe me, you should be glad I am.)

As you can see, controlling the gas that's necessary to get financing for the pipeline is a very powerful position to be in, because if you don't commit the gas the pipeline can't be financed and built.

That's led many people -- former Gov. Frank Murkowski, the Voice of the Times, the Mystic Knights of the Sea (OK, I made that one up, so sue me) -- to argue that the state should give the producers whatever they want to get them to commit their gas.

The people pushing this idea call it negotiating, but that's a joke. How do you negotiate with someone who has all the power? You don't. You give in. And that's just what Murkowski did, time and time again.

That approach -- let's call it by its real name, bribery -- failed. So did another approach, taxing the gas in the ground so that it suddenly becomes too expensive for the producers not to ship it. This reserves tax was on the ballot in November and was drowned in campaign ads and political rhetoric.

Gov. Sarah Palin has a third approach, the Alaska Gasline Inducement Act. It sets up a process by which someone can win a state license to build a gas pipeline and, helped by state matching funds, proceed to an open season. The idea is that faced

with a realistic construction plan and a favorable tariff, the North Slope producers will have a harder time withholding their gas from the pipeline.

I can't say this strongly enough: AGIA does not lead directly to a gas pipeline. Rather, it is a process to get us closer to a pipeline, and to put pressure on the producers to commit the gas they control.

AGIA doesn't rely solely on pressure. There's a tax freeze and some royalty concessions, too. But the heart of the effort is to either get the producers to build the pipeline, or get the producers to commit their gas to someone else's pipeline.

Will it work? Frankly, I don't know. But what I do know is that the cost of bribery is too high, and the voters have rejected the reserves tax. Some people say we should sue the producers to make them produce the gas. After all, we own it. Maybe they are right. But lawsuits can take a long time and the state might lose.

So you can support upping the bribe until the producers say yes. Or you can support taxation or lawsuits. Or you can support, as I do, what, at this point, seems the most likely route to getting a pipeline built in the foreseeable future: AGIA.

Mike Doogan is a freshman Democratic legislator representing east Spenard in the state House. He serves on the House Oil and Gas Committee.