

# Representative Eric Croft

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State Capitol Bldg. Room 400

## HB 223—The Gasline Now Act

### Sponsor Statement

*“Build the line or pay the fine”*

The Gasline Now Act is a useful tool for guaranteeing construction of a gas pipeline from the North Slope, encouraging exploration for natural gas, and for filling the state’s structural budget deficit until that pipeline gets built. HB 223 allows Alaska to negotiate from a position of strength.

In recent years, each of the major North Slope producers has invested billions of dollars in overseas liquefied natural gas projects to bring foreign gas into the U.S., but for 30 years they have been unwilling to invest in an Alaska pipeline. Many people fear that the producers are sitting on Alaska’s gas and developing foreign gas first. Delaying the Alaska gasline increases the oil companies’ profits, but it hurts American consumers and the Alaskan economy.

The Gasline Now Act charges a fee for storing Alaska’s gas in the largest gas fields, and the fee goes away once a pipeline is completed. Once gas is flowing, a company who paid the fee can get their money back as a credit against the severance tax they pay on the natural gas shipped in the line. To qualify for the credit, a producer must commit to sell or ship their gas down the pipeline.

Currently, explorers have little incentive to search for new gas reservoirs because there is no way to get the gas to market. Because HB 223 encourages timely construction of a pipeline, producers will have more reason to search for new gas. The fee only applies to gas in units leased before 2002 that have more than 1 trillion cubic feet of known gas resources, so any new gas finds will not be subject to the fee.

The Gasline Now Act will create a stable fiscal structure for Alaska in the years leading up to the completion of a natural gas pipeline by bringing in around \$900 million a year until the pipeline is built. This money is necessary to pay for the increased demand on Alaska’s roads, schools, public safety and other services during the construction phase of the project, and leftover money can be invested to provide a cushion for the state in future economic down years.

HB 223 is an effective means to encourage timely construction of a pipeline, increased exploration for North Slope natural gas, and to bridge the state’s fiscal gap between now and the time revenues come in to the state from the sale of North Slope gas. Alaska and Alaskan jobs have been put on hold for too long. The Gasline Now Act puts Alaska’s destiny back in Alaska’s hands.

# Alaska State Legislature

House of Representatives



**Representative Harry Crawford -- District 21**  
**Representative Eric Croft -- District 25**

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## **HB 223—The Gasline Now Act**

*The Gasline Now Act is a useful tool for encouraging construction of a North Slope gas pipeline by charging a fee to gas producers for not producing Alaska's gas and refusing to ship gas or build a gas pipeline.*

### **Once it's built, the Gasline Now Act goes away.**

The fee ends when gas first flows through a pipeline, either an All-Alaska line or the Canadian line, with at least 2.0 billion cubic feet per day (bcfd) from the North Slope to a commercial market.

### **Any producer can get all of their fees back if they commit to sell or ship gas.**

A producer can get a credit for fees paid under the Gasline Now Act if the producer makes a commitment to sell or ship gas down the pipeline that actually gets built.

The credit will be applied against the production tax owed by the producer for gas shipped down the pipeline.

### **The earlier they commit, the more credit they earn.**

The credit is equal to the amount of fees paid from the time the producer makes the commitment to sell or ship until the gasline is built.

The credit will be applied against no more than 50% of the producer's production tax until the year 2030 or until the total amount of credit is repaid, whichever comes first.

### **A producer can avoid the fees altogether.**

Any producer unwilling to ship their gas down a pipeline can relinquish its taxable leases back to the state for re-lease to a producer willing to cooperate in the pipeline process.

**The Gasline Now Act will encourage exploration.**

The fee only applies to gas in units leased before 2002 that have more than 1 trillion cubic feet (tcf) of known gas resource (Prudhoe Bay and Point Thompson). The fee does not apply to new gas finds regardless of size. Currently, explorers have little incentive to search for gas because there is no way to get any gas to market. HB 223 gives an incentive to build a pipeline that will provide all North Slope producers a way to get gas to market and thereby encourage them to look for more.

The amount of taxable gas is determined with a formula set out by Exxon in 1997 to determine the quantity of marketable gas in a lease. It only includes gas that should be marketed but does not include natural gas liquids shipped down the TAPS pipeline, gas used to power production facilities or gas used for re-injection to enhance oil recovery.

**The Gasline Now Act creates a stable fiscal structure for both industry and Alaska**

By attaching the credit to a producer's production tax, producers can count on a reduced and stable tax rate until 2030. The credit will smooth any future changes in the severance tax by lessening the blow to producers of future tax increases.

The Gasline Now Act will stabilize Alaska's fiscal situation by bringing in \$600-900 million in gasline revenue starting in 2007 to pay for increased demands on state services during pipeline construction. Money from the Gasline Now Act can be used for new schools, roads and public safety officers and can be invested to provide a cushion for the state in future economic down years.