

**Testimony by the Honorable Walter J. Hickel
Legislative hearing on the state's finding
regarding the TransCanada gasline application –
June 18, 2008 - 9 am - Howard Johnson Hotel, Anchorage**

Thank you Mr. Chairman.

Let me begin with my bottom line.

The State of Alaska representing all of our people, the owners of the resources on the State lands at the North Slope should build the Alaska natural gas pipeline.

We should hire a pipeline company, perhaps TransCanada, and build it and own it. That's the only way we can keep control of this resource that is worth untold billions.

Anytime you yield control of a public asset to a private company, you have to be content to sit and wait. Because they are in control.

And if you yield control to foreign governments and their regulatory agencies, just move to the back of the bus.

Before I expand on that theme, I want to salute you, Mr. Chairman, and your colleagues for holding these hearings. The issue is how to achieve maximum benefit from North Slope natural gas resources.

That's your assignment under the Constitution. As citizens of our Owner State, all Alaskans also have the obligation to follow this issue and make their views known.

Billions upon billions of dollars are at stake.

We need to get Alaska gas to Alaskans...and to make that gas affordable we need to access the world's markets. That means an All-Alaska gasline to Valdez and LNG exports to the world.

Our neighbor nations on the Pacific Rim are ready to pay twice as much as Alberta or Chicago. This week Japan is paying over \$20 per mcf. They are paying \$11.69 in Alberta.

The last time I saw you, Mr. Chairman, was in Beijing where we met with leaders in Chinese oil and gas. That was an important trip. We must understand the world. And we need vision. Vision is the key to a pioneering country. And to me the vision is clear, and it is based on our reality.

For 50 years of statehood, Alaska's political ties have been with America...and thank God for that.....but our economic ties have been with Asia.

We offered our timber, coal, and LNG to the South 48, but we couldn't get them past Seattle. So we made friends and contacts in Japan and Korea, and we built our young economy based on those relationships. In 1969, we pioneered the first LNG shipments to Japan from anywhere...shipments that continue from Kenai today.

Wake up, America! It's a world economy. Check the labels on your T shirt and the names on your TV and automobile. Chances are they weren't made in America.

Our national economy, that means our standard of living, depends on our productivity and our ability to compete. We won't survive by just playing the stock market. There is no wealth without production.

I commend Governor Sarah Palin for introducing a wide-open, transparent process on the gasline issue. For years, the North Slope producers claimed that Alaska natural gas was not economic. They said there was no market. But AGIA produced 5 eager applicants and the producers changed their tune. They cobbled together yet another public relations campaign about a gasline project that I promise you will never be built.

We've seen this before....over and over. And they still bad mouth LNG.

If LNG is so bad, why are they so heavily involved? ConocoPhillips has invested \$60 billion in the largest LNG liquefaction plant in the world in Qatar. BP has an LNG project in Tangguh, Indonesia. And Exxon has a new project in Papua/New Guinea. And that's only part of the story.

Ladies and gentlemen, they don't oppose LNG. They oppose Alaska LNG. Because our LNG competes with their LNG.

And the truth is LNG is changing the world. You can't build a pipeline to Australia, Japan, India or China.

It's no secret that I am opposed to giving an exclusive license to TransCanada. The public thinks that they plan to ship North Slope gas to America. But their goal, and they don't deny it, is to use most of our gas to heat the Alberta tar sands to create synthetic oil.

And they face obstacles and delays beyond our control. And the key word is "control."

They admit that the McKenzie River pipeline, mired in problems, will go ahead of an Alaska gasline. More delay.

The Canadian Supreme Court has ruled, and rightly so, that the Canadian government must "consult and accommodate" even those First Nations that have not resolved their land claims when it comes to issues, such as a pipeline, that impact their traditional territory. More delay.

TransCanada cannot build a 4.5 billion cubic foot per day pipeline without gas from the producers. More delay.

And producer gas carries the bombshell of demands for “fiscal certainty.” And you all know what that means.

What’s more, without even so much as a mention, TransCanada plans to export millions of barrels of our valuable North Slope gas liquids to Alberta. Those gas liquids should stay in Alaska. Billions of dollars of state revenue and hundreds of value-added jobs for Alaskans for decades rest on this one issue.

There is no reason to hold up the All-Alaska LNG line while we wait for TransCanada to sort out their problems in Canada.

Last week Commissioner Pat Galvin and others from the Palin gasline team informed me that TransCanada is prepared to hold a “simultaneous Open Season.” This means that those who control North Slope gas will be invited to reserve space at the same time in either a Canadian pipeline. Or in an All-Alaska pipeline to Valdez.

If the market wants to ship LNG first, TransCanada will build the All-Alaska line first. They didn’t mention, by the way, to which route the state will dedicate its gas.

But I was somewhat encouraged by what the Commissioner said, only to learn this week that TransCanada has refused to clarify any such commitment to hold a “simultaneous Open Season.”

This illustrates and underlines my message today. If TransCanada is granted a license by the state, the State will lose control.

Alaska appears to be caught between the producers on one side and a bad deal on the other. So what do we do?

Fortunately, there is another option.

Ever since the people of Alaska voted six years ago in favor of an All-Alaska gasline, they have been waiting. And now, with a crisis in Alaska fuel and energy costs, they are getting frustrated. How much longer can they wait?

In Fairbanks last week, you heard loud and clear that we need Alaska’s gas for Alaska’s people now! And the crisis in rural Alaska is worse. But it’s no good to have Alaska gas if its costs are sky high. The way to lower the price is through volume.

We must move our gas in a pipeline big enough to serve large markets. The best way to do that is with an All-Alaska gasline to Valdez.

And the state should own it.

Without the Canadian government or FERC making us jump through a thousand hoops, in 5 to 6 years we can get gas to Alaskans. And the entire project can be completed soon thereafter.

If you will hold a hearing on how the state can build and own our own gasline, please invite me back. It is not rocket science.

So I urge you to deny the TransCanada plan.

If you don't, we will lose control of our gas, and Alaska will be locked into the market at the end of that pipeline in Alberta.

As we meet here, there is a rush going on for new gas plays in Pennsylvania, West Virginia, Texas and the Rockies. Alaska gas in the South 48 will face severe competition in a few years time.

That means that our gas, instead of serving America as Gov. Palin sincerely hopes it will, will stay in Alberta and be used to heat the tar sands.

So let's take the faster, better and more beneficial alternative.

Let's build and own the Alaska gasline ourselves.

With LNG, we will serve the world. We will move our gas to the highest and best markets, and we will keep the jobs here at home.

That's "maximum benefit" for our people. And that's your responsibility. Your opportunity. And the mission of this generation.

Thank you.