

**Power Politics:
Linking Congress, Campaign Contributions and Energy Policy**

The Alaska Natural Gas Pipeline

Within the overall energy debate, there is a major battle over the future of the Alaska Natural Gas Pipeline. The debate over the Alaska pipeline pits independent oil and gas producers against multinational corporations with Alaska gas interests, the White House against Sen. Pete Domenici (R-N.M.) and Canada against the United States. The winners will supply the natural gas to a fossil fuel dependent nation.

Background

Since the 1970s, the state of Alaska and the oil and gas producers on the Northern Slope of Alaska have contemplated ways to get the vast natural gas resources to the lower 48 states. Recently, the industry has focused on two routes for a gas pipeline. The Alaska route, or southern route, would build a 3,600-mile pipeline along the Alaska Highway, linking Prudhoe Bay to the lower 48 states. A shorter alternative route would link Prudhoe Bay natural gas through Canada's Mackenzie River. The pipelines are estimated to cost \$19.4 billion and \$18.6 billion, respectively, to build.

Alaska Pipeline Provisions

Energy legislation being negotiated by Congress contains several provisions that will impact the Alaska pipeline debate. The first provision, found in both the House and Senate legislation, mandates the construction of the pipeline along the Alaska Highway route. The mandate also contains provisions to expedite the environmental review and appeal process.

In addition to the route mandate, the Senate bill contains provisions that would substantially subsidize the pipeline. S. 14, the Senate bill crafted by Sen. Domenici, as well as H.R. 6, the bill actually passed by the Senate, provide loan guarantees and price support subsidies for the Alaska gas pipeline. The loan guarantees in each bill would authorize the federal government to back 80 percent of the loans for the pipeline. H.R. 6 capped the loans to \$10 billion, while S. 14 capped the loans at \$18 billion.

The price support subsidies in the Senate bill create a tax credit for the builders of the Alaska Highway route if wellhead prices fall below \$1.35 per million Btu. The credit would begin in 2010, or upon completion of the pipeline, and last for 25 years. The credit is estimated to cost as much as \$19 billion.

Competing Natural Gas Interests

The route mandate and subsidies for the Alaska natural gas pipeline have created several splits in the oil and gas industry. The companies in Alaska attempting to bring the gas to market are ExxonMobil, BP and ConocoPhillips. ExxonMobil and ConocoPhillips own natural gas resources in both Alaska and the Mackenzie River delta. Surprisingly, ExxonMobil officials said they do not support the pipeline mandate and want to allow the market to decide which route is built. As for the price supports, BP and ConocoPhillips officials expressed support for the pipeline subsidies while ExxonMobil officials said they do not support the "incentives or subsidies" for the pipeline.

In the lower 48 states, independent natural gas suppliers are opposing the price supports for the Alaska natural gas. ChevronTexaco, the Texas Independent Producers and Royalty Owners Association (TIPRO), the Petroleum Association of Wyoming and Devon are all opposing the price supports. In a letter to Sen. Domenici, the Petroleum Association of Wyoming wrote, "Subsidies, in our view, are neither desirable or necessary to ensure security of supply and this applies equally to the proposed Alaska Highway pipeline..." In a statement in the *Chicago Tribune*, TIPRO executive Vice-president A. Scott Anderson said, "To the extent the [tax credit] makes an investment in Alaska more attractive investment for non-Alaskan gas reserves is likely to be artificially depressed." The overall fear of subsidized Alaska natural gas flooding gas markets has rallied non-Alaska companies to oppose the tax credit.

Conference Politics

Opposition to the Alaska natural gas pipeline route mandate and price supports are also coming from both the administration and the Canadian government. In a letter to the Sen. Domenici, Secretary of Energy Spencer Abraham wrote, "[The administration] believes market forces should select the route of the pipeline." He continued, "The administration strongly opposes the price-floor tax credit provision in the Senate energy bill and any similar provisions." However strong the administration's objections, Secretary Abraham suggested several non-price support tax provisions that could subsidize the construction of the pipeline. Canadian Ambassador Michael Kergin wrote, "Canada is of the opinion that the Alaskan pipeline should be built without subsidies and without the route being determined by legislation."

Alaska's Natural Gas Play

The main support for the pipeline has come from the state of Alaska. Last year, the congressional delegation led by former Sen. Frank Murkowski (R-Alaska) pushed for the inclusion of the mandate and price supports in Senate-passed energy legislation. At the time Murkowski said, "[The Alaska Gas Pipeline] will provide an affordable energy product for American families." In a similar statement, then-Alaska Governor Knowles said, "Opponents of the credits ignore that an Alaska gas pipeline is likely to mean lower natural gas prices to consumers in the United States and Canada."

After gas producers and Canada raised concerns about the effect of the price supports, the Alaska government's justification for the pipeline changed. A spokesman for now Gov. Murkowski said, "We think it will have virtually no impact on price." Now, Gov. Murkowski promotes the pipeline for this reason: "Well, we're [Alaska] going to get the royalties."

Conclusion

The Alaska Natural Gas Pipeline is another excuse to subsidize Alaska's economy and the profits of companies worth billions of dollars. Both pipeline routes will have significant environmental impacts and should undergo full environmental assessments before a route decision is made. Furthermore, continued federal subsidization of fossil fuel projects will continue to feed the nation's addiction to fossil fuels.

About Power Politics

[Power Politics](#) is a bi-weekly publication produced by Friends of the Earth highlighting the linkage between members of Congress, campaign contributors and polluting energy proposals. *Power Politics* looks at some of the most controversial subsidies in the various energy proposals and tells who will benefit and how much they contributed to members of Congress.

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