

**BALLOT MEASURE 3: AN INITIATIVE TO ESTABLISH
A STATE AUTHORITY TO FINANCE, BUILD, OWN AND OPERATE
A NATURAL GAS PIPELINE FROM THE NORTH SLOPE
TO PRINCE WILLIAM SOUND AND ASSOCIATED LNG FACILITIES THERE,
WITH A SPUR TO THE EXISTING NATURAL GAS DISTRIBUTION
GRID IN SOUTHCENTRAL ALASKA**

**RECOMMENDATION TO THE ANCHORAGE CHAMBER OF COMMERCE
BOARD OF DIRECTORS**

by the

STATE AND LOCAL GOVERNMENT AFFAIRS COMMITTEE

October 3, 2002

The State and Local Government Affairs Committee of the Anchorage Chamber of Commerce has reviewed materials in favor of and in opposition to the Initiative appearing as Ballot Measure 3 on the November 5, 2002 general election ballot that would, if approved, create an Alaska Natural Gas Development Authority to finance, construct, own and operate, if and as appropriate, a natural gas pipeline from the North Slope to Prince William Sound, associated facilities to liquefy that natural gas cryogenically into liquefied natural gas (LNG) for export to one or more markets outside this state, and a spur pipeline from Glennallen to the Southcentral natural gas distribution grid.

This ballot initiative was the featured presentation topic at a Chamber “Make It Monday” Forum earlier this year. In light of this, the SALGA Committee believes it is unnecessary to develop a full Issue Paper to brief the Chamber Board of Directors on the pros and cons of this initiative.

At its meeting on October 3, 2002, the SALGA Committee agreed without dissent to recommend that the Chamber Board of Directors adopt a resolution substantially like the following one opposing Ballot Measure 3, the “Alaska Natural Gas Development Authority” Initiative:

**Board of Directors, Anchorage Chamber of Commerce
Resolution 2002/03-__
Against Ballot Measure 3 on the November 5, 2002 Ballot
(Initiative to Establish an Alaska Natural Gas Development Authority)**

WHEREAS, Ballot Measure 3 on the November 5, 2002 general election ballot would, if ap-

proved, establish the Alaska Natural Gas Development Authority (the “Authority”) for the sole purpose of financing, building and operating a natural gas pipeline from the North Slope to tidewater in Prince William Sound together with associated facilities at tidewater to liquefy the natural gas cryogenically into liquefied natural gas (“LNG”) for shipment to markets outside the state (collectively, a “Pipeline/LNG Project”), as well as a spur pipeline from Glennallen to the existing natural gas distribution grid in Southcentral Alaska; and

WHEREAS, an authority for financing, building and operating a similar Pipeline/LNG Project has already been formed as a qualified “port authority” under the Internal Revenue Code by the City of Valdez, the Fairbanks North Star Borough and the North Slope Borough, and this latter “port authority” has pledged to share profits from its Pipeline/LNG Project with the other municipalities in the state, unlike the proposed Authority; and

WHEREAS, there are two other important modes for developing the North Slope natural gas reserves besides a Pipeline/LNG Project — namely, a natural gas pipeline from the North Slope to the Lower 48 through Canada (a “Lower 48 Pipeline Project”), and facilities to convert natural gas into synthetic crude oil or similar hydrocarbon liquid that could be shipped through the existing trans-Alaska oil pipeline (a “Gas-to-Liquids Project”); and

WHEREAS, the companies having interests in the North Slope natural gas reserves have spent a total of approximately \$200 million in the past two years to make these alternatives economically feasible, in addition to the many millions of dollars that they and others (including Yukon Pacific and, before Yukon Pacific, El Paso Natural Gas Co.) have previously spent trying to make a Pipeline/LNG Project economically feasible;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Anchorage Chamber of Commerce that the Board supports the development of North Slope natural gas resources at the earliest time it becomes legally and economically feasible to do so, and insists on the inclusion of a spur pipeline to supply North Slope natural gas to Southcentral Alaska and the Railbelt as a planned part of any Pipeline/LNG Project or Lower 48 Pipeline Project to develop North Slope natural gas reserves;

BUT BE IT FURTHER RESOLVED, HOWEVER, that the Board of Directors of the Anchorage Chamber of Commerce finds Ballot Measure 3 to be defective, ill-conceived and undesirable for the following reasons:

- A. the Initiative’s proposed Authority is too limited in scope — it could not assist North Slope natural gas development by any kind of project other than a Pipeline/LNG Project, no matter how beneficial the other kind of project might be for Alaska or for Southcentral Alaska in particular;
- B. the proper role of government is not as an entrepreneur in a commercial business venture, nor as a competitor against private enterprise in business; rather, government’s proper role is to support industry in its business and economic growth, and to encourage and facilitate development in ways that are desirable and beneficial for the government and its citizens; these principles apply just well to the development of North Slope natural gas as they do to other areas of business activity; and
- C. the Initiative’s proposed Authority is unnecessary and superfluous, as there are at least three other instrumentalities already in existence which appear capable of doing anything the pro-

posed Authority could do, only better —

one, a municipally created “port authority” already exists, has been approved by the Internal Revenue Service as a political subdivision of the State for purposes of issuing bonds, and in all material respects is capable doing anything that the Initiative’s proposed Authority could do for a Pipeline/LNG Project, although the “port authority” is similarly limited to developing only a Pipeline/LNG Project; moreover, if such a Pipeline/LNG Project turns out to be the market-driven way for getting North Slope natural gas developed, the “port authority” offers a better deal to municipalities around the state than the Initiative’s proposed Authority, because the “port authority” would share profits from its project with municipalities statewide, whereas the proposed Authority would not;

two, the Alaska Industrial Development and Export Authority (AIDEA) already has the necessary powers to finance, construct, own, and operate a project that the Initiative’s proposed Authority would have, and unlike the proposed Authority, AIDEA already has a well established track record in the financial markets which should make it easier and less expensive to issue bonds through AIDEA than the proposed new Authority; moreover, AIDEA would be able to finance whatever mode of North Slope natural gas development first becomes economically and legally feasible, instead of being limited only to a Pipeline/LNG Project as the Initiative’s proposed Authority and the “port authority” are; and

three, the Alaska Railroad Corporation, like AIDEA, would not be limited to helping only a Pipeline/LNG Project, but in addition, the Railroad may be able to issue tax-exempt bonds to finance a far greater portion of a natural gas development project than either the Initiative’s proposed Authority or AIDEA, which could materially reduce the financing cost for developing North Slope natural gas;

AND FURTHER RESOLVED that the Board of Directors of the Anchorage Chamber of Commerce opposes Ballot Measure 3 appearing on the ballot in the general election on November 5, 2002, recommends that Chamber members vote “no” on that Measure, and will inform its membership of this Resolution, and of the Board’s reasons for adopting it;

AND FURTHER RESOLVED that the Anchorage Chamber of Commerce will issue a press release and public announcement of this Resolution, and send copies of it to the other chambers of commerce in Alaska and to the press.

DATED _____, 2002