

## **Arctic Energy: Benefits for Alaska, Washington and All America**

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(A presentation delivered to the Alaska Committee of the Seattle Chamber of Commerce. Please note the following: a. This formal paper was used as a guide but the presentation itself was summarized to the audience and delivered extemporaneously, and b. The publisher of the public service, *Northern Gas Pipelines* website assures that on the website all gas pipeline proponents in government and industry are given equal respect. Editorials sometimes critique public policy issues but do not attack individuals. In this speech, the publisher presents personal views, many of which are not reflected in the web page. )

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## **Arctic Energy: Benefits for Alaska, Washington and All America**

By

Dave Harbour

Almost daily, New York commentators from the Wall Street Journal to MSNBC, CNBC and Fox Television discuss such stellar Evergreen State enterprises as Microsoft, Boeing and Starbucks...and Washington State listens. They then comment on ANWR, the Alaska gas pipeline, or news from BP, Exxon and Phillips as if their operations and plans meant little to Washington State. In fact, the economy down here has more to do with Alaska than is commonly thought.

With family in Washington, I'm entitled to observe that many here think of Alaska as a place to vacation, hunt, fish or send kids for a summer job with the fishing or tourism industry. Yes, my Washingtonian friends discuss the big oil and gas issues, but not usually as if Washington's economy depended on them. But depend it does, for Adam Smith's invisible hand of commerce has established an economic chain which links us all.

- Boeing's production line responds to customer demand. A good percent of customer demand is fueled by Airline profits and military budgets. Airline profits and government budgets are generally strong when the economy is strong and the price of fossil fuel is reasonable. Alaska is a huge source of domestic energy production, which: helps stabilize energy supply and prices, keeps massive dollar flows in the US, and supports hundreds of thousands of U.S. jobs.
- Microsoft is a barometer of the economy. When fuel prices are high, citizens have less discretionary income for additional or upgraded home computers while companies spend less on inventory and IT upgrades. When the balance of payments is tilted even farther out of balance with dollar exports for energy, the economy is weaker and we conserve: "The old computer will have to do for another year."

- At Pike Place Market yesterday I had a Starbucks' latté after already soaking down two cups of coffee at the hotel. I surely didn't need those additional two shots, but wanted them. When times are good, millions of fellow Americans join me in supporting Starbucks and its worthy competitors. But not too many out-of-work Americans maintain a \$4 or \$8/day latté habit.

Washington in general and Seattle in particular have historically profited from Alaska's resources, notably its gold a hundred years ago and its commercial fishing throughout the past hundred years. But the ordinary citizen here is not too aware that because Alaska is over 80% oil dependent today, its wholesale purchasing from Washington state, its airline business, its ocean freight, barge, airline, and a thousand other enterprises employ Washingtonians—thanks to oil. Even Seattle's growing tourism links with Alaska depend on Alaska services being provided visitors and tour companies, courtesy of oil industry taxes and royalties. The 50% decline in Prudhoe Bay production, therefore, should be as much a concern to our brothers and sisters in Washington as it is to me and my fellow Alaskans. Indeed, recent legislation in Alaska to establish a 'head tax' on cruise ship visitors and a 'per drink' tax increase on liquor (mostly provided by Washington state distributors) is a direct result of diminished oil production.

There is a solution that requires work on all our parts. The solution is communication and knowledge. The "Northern Gas Pipelines"<sup>1</sup> web page my company produces as a public service attempts to increase understanding of northern economic issues in an unbiased way that respects all parties. Its vision is that oil and gas exploration and development are necessary for the economic strength of North America and, therefore, our continent's survival as a bastion of world freedom. *The premise of that vision* is that oil and gas, in America's modern regulatory world, supports environmental values. *The propagation of that vision* requires communication of information and political support. *The credibility of that vision* is supported by facts and recognizes that the great enemy of facts is emotional rhetoric. For example, one myth is that oil destroys the environment. However, contrasted to other industries like tourism and commercial fishing, it produces

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<sup>1</sup> <http://www.arcticgaspipeline.com/>

much wealth for America and her government with very few workers who feed a vast, national support industry<sup>2</sup>. In North America we have the most advanced environmental regulation in the world and nowhere is it better observed than in Alaska. Yes, we had the Valdez oil spill, but it was an accident. Government and industry worked tirelessly to clean it up and improve the regulatory regime thereafter. At Prudhoe Bay, drivers insert ‘aprons’ under pickup trucks to keep a few drops of oil from leaking onto the gravel. In some states, government sprays oil on gravel roads to keep the dust down. In fall of 1994 our Governor, **Walter J. Hickel**<sup>3</sup>, visited the Russian republic of Komi, at invitation of its president, **Nenets Okrug**. Komi needed Alaska’s help with an oil spill estimated to be eight times larger than the Valdez spill 5 years earlier, in 1989. You probably are unaware of that event since the world press and environmental activists had little advertising or fundraising incentive for devoting resources to cover it. The Russian federation government in Moscow was not happy about Hickel’s visit or the publicity as reports of the leaky line had been ignored for some time. In Russia, without the degree of environmental regulation we have, warm oil lines can be laid across tundra and permafrost. The ground melts as the lines sag, rust and rupture. No one even knows the damage done by similar leaks in Russia and throughout the world in lightly regulated oil regimes. Similarly, media and environmental activists ignore Iraq’s criminal environmental acts as, ironically, we restrict our regulated oil production while sending Iraq money to import theirs. Only here does the public know of every leak. Indeed, more spotlights are focused on a 10-quart leak at the Valdez terminal or Bellingham refinery than are applied to 50 gallons per day of gasoline and oil spilled in some local boat harbor by recreational and fishing boats. So, let’s agree that *the more oil we produce in America, the more money we keep home, the more jobs we create and the more environment we protect.*

The business leaders of Washington are already aware of Alaska’s economic importance to this state and to the nation. My goal, today, will be to update you on current events

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<sup>2</sup> From an environmental fundraising viewpoint, however it makes sense to target and vilify an industry giant with deep pockets, relatively few voters and a traditional reluctance to defend itself.

<sup>3</sup> “Crisis In the Commons: The Alaska Solution” by Walter J. Hickel, Institute for Contemporary Studies, 2002. ISBN 1-55815-521-X.

and facts that might better arm you to be a good source of information in your own communication efforts.

I will brief you on two areas of importance: ANWR and Arctic gas pipeline issues.

- I. ANWR. In 1995, pro-ANWR forces in the Congress approved oil and gas exploration in a small sliver of ANWR, which the conservation act<sup>4</sup> setting up ANWR had permitted over a decade earlier. In a blow to Alaska's productivity and America's economic future, President **Bill Clinton** vetoed the measure. Last fall a majority of Democrats and Republicans of the Senate Energy Committee supported limited exploration and development of ANWR. They agreed with the House energy bill passed last July that development in ANWR's 19.6 million acres, an area the size of North Carolina, could proceed but that it had to be limited to the 1.5 million acre coastal plain area and that any future development must be further restricted to a 2,000 acre area about the size of Dulles Airport. The good news is that sensible Central and Eastern Washington Congressmen **Doc Hastings** and **George Nethercutt** supported it. Since the balance of the 19.6 million acres is restricted from development and since 8 million of the total is already locked in 'wilderness' designation, development of 2,000 acres to contribute to the country's energy strength seemed eminently reasonable. In fact, the proposition is even more attractive when considering that Alaska hosts the majority of America's total wilderness areas and its largest national forest and that less than 2% of the state is privately owned by non-government or non-Native enterprises. Senate Leader **Tom Daschle** overcame this threat to the agenda of extremist environmental fundraising lobbyists, by 'pulling' the bill from its jurisdictional committee (Chaired by fellow Democrat **Jeff Bingaman**) and introducing it directly to the Senate floor as S. 517, the so-called Daschle-Bingaman Energy Bill. The bill passed late last month (46-54) without ANWR but with Alaska gas pipeline support (i.e. a 'trade-off deal' we have verified was blessed by

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<sup>4</sup> ANILCA, Alaska National Interest Lands Conservation Act.

environmental lobbyists). The Senate then procedurally passed House energy bill, H.R. 4, replacing all of its language with S. 517 words. The House and Senate will now meet in a conference committee to see if a single bill can be produced for approval of the House and Senate. Since the two versions of H.R. 4 are so different, I would give passage a chance of only 50%; if it does pass, it will contain something for everyone, as does the bloated farm bill now under consideration. You may be sure that both pieces of legislation are crafted so as to not cost Members of Congress votes in the coming November elections; but they will cost taxpayers plenty.

- II. Gas Pipeline. In the 70's a gas pipeline 'dream team' of two dozen U.S. and Canadian producers and pipeline companies formed to study how best to move about 27 TCF of Prudhoe Bay gas<sup>5</sup> and 6 TCF of Mackenzie Delta gas<sup>6</sup> to market. The Arctic Gas Consortium<sup>7</sup> studied every conceivable route and mode, considering LNG tankers, submarines, trains and dirigibles, pipelines and even high voltage transmission of the energy to the lower 48 via electricity. They worked with Congress to pass the Alaska Natural Gas Transportation Act of 1976 to expedite an approval process. After \$250 million in studies they concluded the most efficient way to transport a 20 year volume of gas supplying 5% of America's gas demand would be a 2,625 mile, 48"<sup>8</sup>, buried and refrigerated pipeline. It would pass from Prudhoe Bay through ANWR—which then had a 'range' designation, not 'refuge'—to the Mackenzie Delta and then down to Alberta. From there it would branch west, through B.C. connecting with Pacific Gas Transmission's Western Leg facilities in Washington and an Eastern Leg would terminate near Chicago.

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<sup>5</sup> Now about 35 TCF.

<sup>6</sup> Now approaching 10 TCF.

<sup>7</sup> Arctic Gas was a 'study group' supported by a consortium of oil and gas producing and pipeline companies. It was organized into two companies: Alaskan Arctic Gas Pipeline Company, headquartered in Anchorage and Canadian Arctic Gas Pipeline, Ltd., headquartered in Toronto. Canadian Arctic Gas had major engineering office in Calgary while Alaskan Arctic Gas maintained a Washington office. Its Chairman, Bill Wilder, and Canadian Arctic Gas President, Vern Horte, were headquartered in Toronto. Its Vice Chairman, Bill Brackett worked out of the company's Pennsylvania Avenue office and former Alaska Lieutenant Governor, Bob Ward, served as the Alaskan President. The author served under Ward and Brackett as Director of Public Affairs.

<sup>8</sup> While the mainline pipe was 48", branches and lateral portions of the system would range from 30" to 42".

While the U.S. Federal Power Commission<sup>9</sup> staff and Administrative Law Judge favored this approach, the Canadian government had not settled Aboriginal land claims as Alaska had in 1971. The National Energy Board<sup>10</sup> accepted a recommendation from Justice Thomas Berger, who had recently completed a sociological review, to invoke a 10-year moratorium on construction of a gas pipeline in the Mackenzie Valley. The NEB rejected Arctic Gas' application and approved the "Alcan project", a more recent and less-studied proposal being promoted by Northwest Energy Company of Salt Lake City in league with Alberta Gas Trunk Line of Calgary, former seceding members of the Arctic Gas consortium. A subsequent treaty between the two countries sealed Alcan's blessing. This was in 1978. Soon thereafter the high energy prices driven in part by the Arab oil embargo of the mid-70s faded from memory as gas prices fell. Some deregulation of natural gas caused additional production and stimulated supply and low prices. We then experienced the recession of the mid-80s, when industrial capacity and gas demand were low. A little over a year ago, gas prices spiked as America approached then crashed through the Dow Industrial Index, 10,000 barrier. Oil and gas demand are steadily rising.<sup>11</sup> Renewed Alaska gas pipeline interest again became dinner table conversation, spawning renewed government and corporate initiatives.

- a. The Alcan project, following years of ownership changes, is now owned by Foothills Pipe Lines, Ltd., half owned each by TransCanada Pipelines Ltd., and Westcoast Energy Co., recently purchased by Duke. They maintain that they have the Alaska gas pipeline franchise and should be allowed to proceed.
- b. The North Slope Producers have recently completed an updated \$125 million study comparing feasibility of Foothill's Alaska Highway route,

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<sup>9</sup> FPC, now the Federal Energy Regulatory Commission, FERC

<sup>10</sup> NEB

<sup>11</sup> Northern News Services of Yellowknife reports this morning that, "Experts say oil consumption will increase by 33 per cent, natural gas consumption by at least 50 per cent and electricity demand by 45 per cent in the United States by 2020. World oil consumption will increase from about 75 million barrels per day in 1999 to 120 million barrels per day in 2020.

called the ‘Southern Route’ (over \$19 billion) and the old, shorter Arctic Gas route modified to move offshore ANWR in shallow water in deference to ANWR sensitivities<sup>12</sup>. This is known as the ‘Northern Route’ (over \$17 billion). They have proclaimed that the economic feasibility of both projects is unproven.

- c. Canadian producers have also finished preliminary feasibility work on moving just the Mackenzie Delta gas to market and this year have moved into to a more detailed ‘project definition’ phase. They have worked extensively with Canadian Aboriginal groups, proposing that the \$3 billion project be 1/3 owned by Aboriginals. Last spring, a memorandum of understanding between the producers and most of the area’s Aboriginal First Nations was signed, although some have still not agreed. This spring, during the project definition phase of work, the companies have embarked on a mission of completing community consultations with the citizens, among other tasks.
- d. In response to the gas price spike, other competitors have arisen. Arctic Resources Corp. has no pipeline or producer support but the Houston-based company is politically promoting the Northern Route as a 100% debt financed, Aboriginal-owned project. This ‘free lunch’ concept has attracted a few Canadian Aboriginal endorsements, but no essential Alaska support. Various Alaskan groups are still promoting a trans-Alaska gas pipeline and LNG tanker projects, but no producers or gas buyers have found the economics of such projects attractive<sup>13</sup>.

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<sup>12</sup> While the Northern Route would contribute more property tax dollars to the Inupiat Eskimo controlled North Slope Borough, putting it beneath the shallow seabed of the Beaufort Sea frightens and engenders opposition from virtually all North Slope residents. Whaling captains, who lead their people in subsistence hunts for the bowhead whale are not willing to accept unknown effects a gas pipeline could have on migrating whale pods.

<sup>13</sup> This may be primarily due to Pacific Rim competition. Large natural gas reserves throughout the Pacific, produced near tidewater locations, are available for inexpensive transport via LNG to the U.S. Alaska gas must suffer the cost disadvantage of first traveling via an 800 mile pipeline to tidewater before it can be converted to LNG and transported to market. Compressing the gas and chilling it to about –260 F converts it to LNG, or Liquefied Natural Gas. In that form it can be loaded onto cryogenic tankers, transported to market, and regassified for transportation to inland markets.



- e. Both the Canadian and U.S. Federal government administrations have supported northern gas pipelines in a ‘route-neutral’ way, saying the industry should decide route based on free-market competition.
- f. Alaska’s Democrat governor and Republican State House and Senate and Congressional Delegation are united in opposition to competition. They pressed in the Legislature last year to ban the Northern Route and this year succeeded in having ban language put into both the Senate and House energy bill versions of H.R.4. The producers are likely to be the primary equity investors in a gas pipeline and they have not pronounced any Alaska gas line economically feasible. Accordingly, politicians are seeking to force positive economic conditions on the Southern Route. These include hopes for final approval in H.R.4 of regulatory expediting provisions, a \$10 billion loan guarantee and a Federally (i.e. taxpayer) guaranteed ‘price floor’ for North Slope gas. Producers would be entitled to tax credits when the price goes below \$3.25Mcf (i.e. at the Alberta hub) and would be required to pay back credits earlier claimed when the price exceeded about \$4.88Mcf<sup>14</sup>. State politicians are busily trying to pass legislation enabling the Alaska Railroad’s Federal tax-exempt financing provisions to apply to the gas line, potentially saving investors about \$1 billion in financing costs.
- g. The Canadian federal government dislikes the incentives being offered in support of Alaska gas, believing they will render their Mackenzie Delta gas less economically competitive. Canada is especially sensitive about such maneuvering in light of the recent, hurtful softwood tariffs imposed on its forest products industry by the Commerce Department and anti-competitive subsidies being currently considered in Congress’ Farm Bill, actions affecting thousands of Canadian jobs and hundreds of businesses.
- h. The Northwest Territories government, like their Federal Government, supports free-market competition and opposes U.S. subsidies and route

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<sup>14</sup> This week’s gas price is in the \$3.70 range.

mandates<sup>15</sup>. The Yukon government, a major beneficiary of the Alaska Highway Southern Route, supports efforts of Alaska and the Congress to create an economic environment supporting the project. Alberta, B.C. and Saskatchewan could all benefit to one degree or another, from any of the Arctic projects.

- i. Washington State will benefit from the project that most economically supplies its gas transmission and distribution companies with Arctic gas at the earliest date. This is important because Canadian reserves—like US supplies of gas—are diminishing and the most significant new, long-term domestic supply of gas will come from Alaska. With falling Canadian reserves and rising Canadian gas demand, the Pacific Northwest’s future supply of North American gas reserves is in jeopardy without Arctic gas. Failing the freeing of stranded Arctic gas supply, the market will more aggressively seek LNG imports. While almost all of North America’s natural gas supplies are currently produced at home, a greater volume of LNG imports will begin to make us dependent on foreign countries for gas as we are now dependent for oil, a condition dramatically impacting balance of payments, domestic jobs and economic wellbeing.

Washington state’s business leaders can help, for the enlightened self-interest of Washington’s prosperity.

First, regarding the gas pipeline. President **Bush** and Prime Minister **Chrétien** have it right: the private sector should compete for the most efficient way of moving Arctic energy to the U.S. and Canada. Furthermore, some of us are disappointed at the precedent set in this case for the use of laws to manipulate economics and the private sector to achieve a political end—by Republicans and Democrats. I say this as an

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<sup>15</sup> *CBC, Yellowknife, N.W.T.* - A northern free trade opponent says the Government of the Northwest Territories should challenge proposed subsidies on U.S. natural gas. ... **Stephen Kakfwi** has spent the last few weeks lobbying against the American subsidies but a NAFTA challenge isn't the way to fight them. "It's not time now to quibble about whether it's in the [agreement] or whether its in violation of other international agreements," he says. "The Americans are going to say prove it and we don't have time for that." ... Kakfwi says the solution is to convince the U.S. not to implement the subsidies in the first place, but admits that Canadian issues are not very far up on the U.S. government agenda.

Alaskan who values the 'owner state' concept but believes that honorable concept becomes perverted into despotism when competition is outlawed and Federal subsidies are sought to replace private sector competition. It leaves one wondering, "what next?" However, since the House and Senate have already decided to ban the Northern Route, it is unlikely this will be an issue when the conference meets and it is unlikely to face a Presidential veto if H.R. 4 passes. Bush wants an energy bill containing most of his demands. Accepting reality, I would counsel Washington business leaders that for them, the decision has less to do with route now than if there will be a project at all this generation. With free market route competition being politically eliminated, it is now clear that an Alaska gas pipeline project will be delayed for at least another generation unless Congress creates artificial gas pipeline economic feasibility. With Congressional action, project economics may be better than marginal but are still not assured, as fiscal clarity in Alaska remains undefined. Those of you with Alaska operations know the Alaska investment climate is questionable. With a \$1 billion/year deficit and state savings accounts scheduled to deplete by fall of 2004, anyone contemplating a \$20 billion investment in Alaska would be demented if he didn't ask for fiscal guarantees of some type to prevent extraordinary, predatory tax initiatives from sapping the profit from any investment. After all, the citizens of Alaska don't want to pay statewide taxes but do want services and do want to protect their annual Permanent Fund Dividends. Several measures are being considered and you may want to make sure your Alaska offices weigh in with their elected representatives. Be aware that fiscal certainty for pipeliners comes in two forms: (a) certainty that the tax and royalty regime affecting Alaska North Slope gas and its pipeline remain predictable and stable for life of the project; and (b) confidence that Alaska can responsibly resolve its fiscal crisis in such a way that other large assets owned by pipeline and gas owners in the state will not experience arbitrary and predatory tax attacks.

Second, on ANWR. Make sure your elected officials know the facts. However, you and I both know the environmental lobby is so strong here that when faced with the facts, most politicians will continue to defend their in-kind and cash contributions from the empire of environmental "non-profit companies." They will ignore any facts you present,

will not visit the Kaktovik area and come to know the local Inupiat people who have the answers. They will just turn away from you saying, “well, I just feel we should protect this wonderful area.” The next step is to network with organized labor that does support reasonable ANWR development (i.e. primarily the Teamsters) and privately and publicly correct politicians when they use specious arguments to support their positions. Brief major campaign contributors who value good public policy. In the footnote below<sup>16</sup>, you’ll find some of the outrageous statements anti-ANWR senators made during the energy bill debate. On their web pages today, Washington Senators **Maria Cantwell** and **Patty Murray** try to express their rationale. Murray says she supports oil and gas but opposes ANWR, that weather improvements and conservation are the answer. One notes that she did not quote any scientists. To be fair though, I include the exact quote in this footnote.<sup>17</sup> Throwing a bone to gas pipeline supporters, Cantwell maintains the environmental party line with another emotional reference to, “dig, drill, and burn in

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<sup>16</sup> Senate ANWR debate: anti-ANWR senators.

- Senator Maria Cantwell: “There’s no way to justify drilling ANWR in the name of national security. We cannot drill our way to energy independence.”
- Senator John Kerry: “There is ample evidence that those of us who oppose ANWR support development. We are not standing here with our heads in the sand. ... (Touching) the first acre (of ANWR) is the concept of the destruction of the Arctic Wilderness. ... All of us that are opposed to ANWR must accept that we will be dependent on foreign oil for 30-50 years; that’s how long it will take to make the transition to hybrid cars, fuel cells.... If tomorrow we were cut off from foreign imports we would look to the Gulf of Mexico and not to Alaska.”
- Senator Paul Wellstone: “We don’t need to be doing the bidding of the oil industry....”
- Senator Joseph Lieberman: “...American Serengeti. To take this unspoiled piece of nature and destroy it for a very small amount of oil...is far too little to meaningfully challenge our dependence on foreign oil. ... New technology is the only way for us to overcome dependency on oil and gas.”
- Senator Richard Durbin: “This has turned out to be a historical debate, timely and essential to our national security. We want energy security but not at the expense of the Last Frontier.”
- Senator Russ Feingold: “(Developing) ANWR could adversely affect adjacent wilderness areas. ...the refuge may not produce as much oil as we expect.”
- Senator John Rockefeller: “We should not risk opening the Refuge which is the last 5% of the North Slope which remains protected.”
- Senator Barbara Boxer showed photos of the Brooks Range, not in the area in question, and of songbirds, polar bears and caribou. She showed photos of an ‘unidentified’ refuge with oil barrels floating. She showed a cartoon of the President with SUVs pulling up to a pond of oil surrounded by oil wells; tongues protruded from the SUVs drinking the oil. Title of the cartoon was, “George W. Bush Wildlife Refuge.”

<sup>17</sup>Senator Patty Murray: “I pay an energy bill, and I’m alarmed by rising energy costs. I know the energy crisis is hurting our state, and I’m working to ensure we continue to meet Washington’s energy needs. “The energy crisis in the Pacific Northwest will continue until weather conditions improve and new power sources are developed. This could take years. Until then, we must work to conserve energy at work and at home. Conservation is the only action we can all take now to lower our energy bills, protect our water supply for recovering salmon, and assure future energy supplies. ... Throughout this debate I have contended that America needs a comprehensive energy policy. That policy must recognize the current importance of oil, gas, and coal exploration. But to ensure America’s energy security for the future, it must support energy efficiency, conservation, clean and renewable energy sources, and it should diversify our energy sources. ... I am also pleased to have won the fight against drilling in ANWR. We should not be sacrificing our pristine wilderness areas for the short-term possibility that we could find oil.”

ANWR”, a despicable representation included below as well.<sup>18</sup> Also, the Energy Central report below implies that your Senators only supported the energy bill because of a favorable BPA subsidy.<sup>19</sup> Above, I mentioned two of your Congressmen who voted against removing the ANWR language from H.R.4—Washington State’s only two Congressional supporters of responsible ANWR development, whom I hope you will thank. While they are to be commended, the rest of your Republican and Democrat

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<sup>18</sup> Senator Maria Cantwell: “While this bill does not deliver everything we wanted, this bill helps change our focus from fossil fuel extraction to the production of sustainable energy sources. We successfully defeated the Republican policy of dig, drill, and burn in ANWR, and this bill makes strategic investments in natural gas and renewable energy sources. ... In particular, I am pleased that the bill supports the construction of an Alaskan Natural Gas Pipeline.”

<sup>19</sup> [Energy Central](#): Just hours before the Senate was to finally vote on the energy bill, Washington Democrats Maria Cantwell and Patty Murray were signaling they would be voting no. While both were relieved efforts to open the Arctic National Wildlife Refuge to oil and gas exploration were rebuffed, neither was happy with the measure. It didn't include tough fuel economy standards, it did nothing to prevent a recurrence of the recent West Coast energy crisis and it extended jurisdiction, although limited, over the Bonneville Power Administration and public utilities to the Federal Energy Regulatory Commission. But with the vote looming, Cantwell and Murray abruptly changed their minds. The Senate approved without dissent an amendment that would grant BPA authority to borrow an additional \$1.3 billion from the federal treasury to upgrade the region's transmission system. Cantwell, Democratic Sen. Ron Wyden of Oregon and other Northwest lawmakers had been discussing such an amendment for months, yet it wasn't until the endgame on the energy bill that it became possible. The controversy focused on Congress' arcane budget-scoring rule. Unless the rule was waived, all of the tax breaks and tax credits in the energy bill, including BPA's borrowing authority, would have to be offset with cuts in other federal spending. When the Senate Finance Committee agreed to waive the rule for the energy bill, Cantwell and Wyden saw an opening to offer the BPA borrowing authority amendment. With thousands of new megawatts of electricity generation on the drawing board, Bonneville needs to improve its \$8 billion transmission system. Roughly 75 percent of the region's transmission is federally owned. Existing transmission bottlenecks make delivery of electricity to utilities precarious at times. The White House budget office had proposed increasing BPA borrowing authority by \$700 million even though Bonneville has said the price tag could reach \$2 billion. Last year the chairman of the Senate Appropriations Committee, Sen. Robert Byrd (D-W.Va.), essentially derailed the effort to increase Bonneville borrowing. This year, Byrd said it needed to be authorized before he would lift his objections. BPA is not without its critics on Capitol Hill, especially lawmakers from the Midwest and Northeast who believe federal taxpayers are subsidizing the power-marketing authority while their electricity users are paying rates four or five times higher than those in the Northwest. Cantwell and Wyden hoped to slip the BPA borrowing authority amendment onto the energy bill through a parliamentary maneuver known as unanimous consent. It would take an objection from only one senator to force a formal vote. "It was a delicate thing," Cantwell said later. "We were optimistic, but anyone could kill it at any time." When Sen. John McCain (R-Ariz.) stood up on the floor as the Senate moved toward a final vote, Cantwell and Wyden were convinced they were in trouble. "We were holding our breaths," Cantwell said. "McCain is sort of the eyes and ears of the Senate on things like this. We thought he would object to BPA borrowing authority." Instead, McCain objected to an amendment involving municipal biosolid waste. The BPA provision was quietly adopted. The energy bill now faces a contentious conference with the House. There are concerns among Northwesterners that the chairman of the House Energy and Commerce Committee, Rep. Billy Tauzin (R-La.), could hold the Bonneville borrowing authority hostage unless Northwest aluminum companies are guaranteed access to cheap federal power after 2006. Currently, Bonneville plans to cut off the aluminum companies in 2006, a move supported by the region's public utilities. Kaiser Aluminum Corp. has a major refinery in Tauzin's district. The company, which has voluntarily filed for bankruptcy, also has facilities in Tacoma and near Spokane. Kaiser had been receiving BPA power, and when it closed its facilities in the Northwest, it and other aluminum companies in the region were allowed to resell the power they hadn't used at a time when electricity prices were sky high. The aluminum companies were supposed to spend the money preserving jobs in the Northwest, but Kaiser, with the blessing of the Department of Energy, was allowed to use some of the estimated \$500 million it received in reselling the power to help rebuild the plant in Tauzin's district, which had been damaged by fire. Tauzin has a reputation as a strong defender of Kaiser. "Kaiser has gotten better deals than they deserve," Cantwell said. "We aren't going to let anyone hold BPA hostage for Kaiser."

[http://pro.energycentral.com/professional/news/power/news\\_printer\\_friendly.cfm?id=2938587](http://pro.energycentral.com/professional/news/power/news_printer_friendly.cfm?id=2938587)

House members voted to remove ANWR from the energy bill. Below, I'll include facts provided during the debate by pro-ANWR Senators that, by any reasonable logic, could be regarded as persuasive.<sup>20</sup> Perhaps the energy bill debate was best summarized when Nevada's Senator **Harry Reid** said, "We're going to vote on this an hour after we begin on Thursday. Mr. President, there are two things you don't want to do: watch them make

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<sup>20</sup> Senate ANWR Debate: pro-ANWR senators.

- Senator Frank Murkowski. "Saddam gets roughly \$25,000 from us every 90 seconds.... We're fighting for the rights we thought we obtained by becoming a state.... This trust has been broken." Speaking of wilderness withdrawals in Alaska, he said, "More timber is cut for firewood in New York than in the entire state of Alaska.... There is not one single thing in this bill that supports increased domestic production. A vote for ANWR is a vote for the Native people of Alaska who were promised access to their land. The so called environmentalists are only interested in raising money and keeping their own high paying jobs." Quoting Majority Leader Daschle: "Even if you get 60 votes you won't get ANWR because I'll pull the bill!"
- Senator Ted Stevens. "(ANWR opponents) ...do not honor the commitment made by the United States Senate to the people of Alaska in 1980.... Anyone who says the Coastal Plain is a wilderness is a liar. Why are we here? We are because an elite few want to use Alaska as their play land.... In the condition we're in now, many (Alaskans) wonder why we wanted to become a state.... There are 15 sedimentary basins in Alaska and we've only drilled 3, four with ANWR.... I remember as a young man, 'Mr. Roberts Goes to Washington'. The issue we face today is survival. In WWII we built the ships and tanks that saved the world. Could we do it today? ... "The (1.5 million acres of the Coastal Plain) is not a wilderness. It is unfortunate that my friend from Massachusetts represents a breach of faith.
- Senator John Breaux: "Every single wildlife refuge in Louisiana has oil production, including a refuge owned by the Audubon Society.... My point is, 'if not there, where?'"
- Senator Kay Bailey Hutchison: "(This) is not a wilderness; it is 2,000 acres out of an area the size of North Carolina.... It is a matter of national security that we should control our own destiny."
- Senator Kit Bond: "Let's talk about national security. We're getting lost in rhetoric that's taking us away in a dream world.... The 2,000 acres represents 3 square miles out of 36,000 square miles.... Drilling for oil in Alaska is not just a sound option; it is a necessity.... I would urge my colleagues in the strongest possible way to support the senators from Alaska. We're not going to destroy anything!"
- Senator Trent Lott: "We need a national energy policy and we need new production.... Two of the most respected senators in this body are pleading with us to open the ANWR. This is not just for Alaska; this is for America. I'm at a loss to explain why this cannot be done. I've never seen a project that has stronger environmental rules imposed on it."
- Senator Mary Landrieu: "We have a chance to reverse course...to achieve balance.... In addition to Alaska, we have put moratoria along the entire East Coast of the U.S. and in America's interior all across the U.S., forcing us to increase foreign imports every year. We continue to make decisions in this Congress that make it difficult to keep jobs. I've got thousands of people in Louisiana who want jobs. This senator believes that 60,000 (ANWR-related) jobs are important. It is the right thing to do for our environment. When we drill we can do it in the most environmentally sensitive way in the world."
- Senator Larry Craig: "As we become increasingly dependent on (imports), we lose freedom. Somehow, we've wandered toward Saddam Hussein."
- Senator Conrad Burns: "Why are we importing oil from Iraq? Prudhoe Bay has produced nearly 20% of our domestic production for the last 20 years. Last year we sent \$4.5 billion to Iraq for their oil. Let's use that little footprint (2,000 acres); because energy security is economic security is national security."
- Senator Don Nickles: "I'm concerned about the number of senators speaking against ANWR without ever being there or meeting the people.... We're shipping about \$100 billion/year overseas for imported oil. Without energy security you don't have national security."
- Senator Chuck Grassley: "My state of Iowa is about 35,000,000 acres and ANWR is half as big.... 2,000 acres of ANWR really isn't that much. Three square miles out of my state is nothing. So I don't understand the problem. This is a no brainer. ...this would supply my state with oil for 128 years."
- Senator Phil Graham: "How could anyone be opposed to developing oil on 2,000 acres of land out of Alaska's 319 million acres to displace Iraq's oil imports and at the same time put an additional 1.5 million acres into wilderness designation?"
- Senator Craig Thomas: "We need a balanced energy policy.... Multiple use of public lands is one of the things we've proven can be done."

sausage and watch us make laws.” I also thought you’d find some additional footnote comments useful, from Senators **Ted Stevens**<sup>21</sup> and **Frank Murkowski**<sup>22</sup>. Ted’s comments deal with the power and financial motives of the environmental lobby, while Frank’s speak to some of the “alternate fuel” myths, which abound. Ted continued with his concern about mistreatment and breach of trust suffered by Alaska, which Washington friends might find enlightening.<sup>23</sup>

Friends, I believe it accurate to say most Alaskan Democrat and Republican leaders in government and industry have been disappointed with Washington State’s position on many Alaskan issues for many years. We have long felt that Washington gains much from our state but cares mostly for immediate profits it might generate from Alaska. Many here actively work against the economy of Alaska. Frankly, it reawakens old Alaska memories of ‘fish trap’ colonialism practices by which largely Seattle interests controlled the Territory of Alaska for the better part of a century<sup>24</sup>. But there is another story, too. Many Washington companies have people and resources in the state, actively participating in our communities. Many do work hard for Alaska. We appreciate Alaska Airlines, TOTE and Sealand, and family relationships with Alec Brindle, the Odom

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<sup>21</sup> Senator Ted Stevens: Quoting from research developed by the Sacramento Bee about funding and operations of environmental ‘non-profit’ organizations, Stevens said of the large environmental groups that, “...all but one have CEOs that make more money than U.S. Senators.” He said the median income of U.S. workers is \$42,000 compared with non-profit environmental CEO salaries: Sierra Club, \$138k; Defenders of Wildlife, \$201k; Wilderness Society, 204k; Audubon Society, 239k; National Wildlife Federation, \$247k. He said that to support themselves the environmental groups send out about 160,000 mass mailings annually for a 1.2% response rate. Stevens asked who spends most to protect the environment and quoted the Bee that the oil and gas industry spends about \$8 billion annually, over three hundred percent more than the environmental community. He said the environmental groups spend a total of only about \$2.4 billion, most of it on fundraising efforts, not the environment. He said, “They’re raising all this money to pay their salaries and to lobby.”

<sup>22</sup> Senator Frank Murkowski: To more factually illustrate the issue, Murkowski provided some facts. Alaska has ¼ of America’s coastline, 33,000 miles. ANWR contains 19.6 million acres of which about half is designated as wilderness already. He acknowledged the environmental arguments by senators that the US could make for energy dependency on foreign sources by using more alternate energy sources. Then he said the largest wind farm in the world, between Palm Springs and San Diego, occupies 1,500 acres and produces the energy equivalent of 1360 Bbs/oil/day...whereas 2,000 acres of ANWR could produce 1 million Bbs/oil/day. Thus, it would take a 3.7 million acre wind farm to produce the same amount of energy as is projected for ANWR. He said solar panels on 2,000 acres could produce the oil equivalent of 25 Bbs/oil/day vs. ANWR’s 1 million/day. Thus, it would take 80.5 million acres of solar panels (an area the size of New Mexico and Connecticut) to equal energy production of ANWR’s 2,000 acres.

<sup>23</sup> Senator Ted Stevens: I think the Senate has changed. We (Alaska) have been denuded of jobs by a group that takes advantage of the country.... The relationship between the (Senate) majority and minority is more strained than ever before.... ..great division.... ..every one of the President’s appointees has to have 60 votes.... Where’s the spirit of cooperation with the majority?

<sup>24</sup> [“Salmon Fish Traps in Alaska: An Economic History Perspective”](#), by Steve Colt.

companies, Foss Maritime, Wells Fargo, the Port of Seattle and others. I knew and appreciated **Scoop Jackson**; I only regret that the ANWR commitments he made were not respected by his successors.

The future really is bright, if we make it so. The resources are there and so is the human potential. If Washington business leaders want to redouble their efforts to help Alaska protect its statehood compact and help their own enlightened self-interest, I guarantee you there will be a flood of cooperation, goodwill and financial blessings flowing south from the 49<sup>th</sup> state, with an abundance of energy and our other natural resources. And from an environmental perspective you can be sure that it will not be done better anywhere on earth.

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