

LNG project not the best

Larry Persily: Anchorage Daily News, Tuesday, December 20, 2005

Alaska's elected officials, appointed officials, corporate officials and others with a personal or financial interest have long argued the merits of the so-called all-Alaska gas line. That's the proposed pipeline that would carry North Slope natural gas to Valdez, where the gas would be liquefied and shipped aboard special tankers to buyers around the world.

Supporters say it would be a better deal for the state than a pipeline from the North Slope and across Canada, connecting with the North America gas line grid in Alberta.

The loudest proponent of the project the past few years has been the Alaska Gasline Port Authority, led by the Fairbanks North Star Borough and city of Valdez. The municipally owned operation wants to build and own the multibillion-dollar project, and it says Alaska LNG gas can compete in Pacific Rim markets.

Not so, says one of the top experts on Alaska natural gas.

"LNG from Alaska North Slope gas is almost certain to be an incurably high-cost competitor in both domestic and East Asian ports," said Arlon Tussing, one of the leading experts on Alaska oil and gas economics.

This from an economist named by the U.S. Association for Energy Economics as a 2005 Senior Fellow for his distinguished service and "exceptional insight and foresight" into world oil and gas markets.

"Notwithstanding enduring devotion on the part of Alaskan advocacy groups, LNG alternatives to a pipeline through Canada for marketing arctic natural gas have never had much credibility or support from energy or financial analysts, major gas producers or other prospective shippers," Tussing said.

Tussing's recent analysis of the proposed Alaska LNG project is posted on the Web site of the Institute of Social and Economic Research at the University of Alaska Anchorage. He has been associated with ISER since 1965.

Tussing has authored, co-authored or edited more than 300 books, articles and reports on energy economics, Alaska's natural resources and public policy issues. He served as chief economist of the U.S. Senate Committee on Energy and Natural Resources and was principal drafter of the 1976 Alaska Natural Gas Transportation Act. He now runs his own consulting business in Seattle.

"The decisive consideration" for moving Alaska gas by pipe instead of LNG tanker, he said, is the pipeline network stretching "from the Upper Midwest into the Gulf states and beyond ... several times larger than any market that could be accessed directly from a marine LNG terminal on the West Coast."

As for competing on price with foreign LNG on the U.S. West Coast or around the Pacific Rim, Tussing said none of those projects needs to build a gas treatment plant "in the ultra-high construction-cost environment of the Arctic slope," or an equally costly 800-mile pipeline across Alaska.

The state general fund -- and the Alaska Permanent Fund -- are best served by the lowest-cost system for delivering gas to buyers, producing the highest tax and royalty value for Alaskans. That means a direct pipeline to the large North America market, not LNG, Tussing said.

Although many Alaskans dislike and distrust the major oil producers and may prefer an LNG project to the producer-sponsored pipeline through Canada, we should listen to all the experts and push for the best project possible.

BOTTOM LINE: Alaskans need to decide this issue on the facts, not emotions.