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TESTIMONY
OF
FRANK G. ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION
BEFORE THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
U. S. HOUSE OF REPRESENTATIVES
ALASKAN GAS TRANSPORTATION

MAY 17, 1976



MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS THE TRANSPORTING OF ALASKAN NATURAL GAS TO THE LOWER FORTY-EIGHT STATES.

NATURAL GAS REMAINS A VITAL SOURCE OF DOMESTIC ENERGY, IT ACCOUNTS FOR ABOUT 30 PERCENT OF THE U. S. TOTAL ENERGY CONSUMPTION AND ABOUT 40 PERCENT OF NON-TRANSPORTATION NEEDS. YET, DOMESTIC MARKETED PRODUCTION, WHICH PEAKED IN 1973 AT 22.6 TRILLION CUBIC FEET, HAS DECLINED OVER THE PAST TWO YEARS. ABOUT 21.6 TRILLION CUBIC FEET WERE PRODUCED IN 1974, AS COMPARED TO AN ESTIMATED 20.1 TRILLION CUBIC FEET IN 1975.

WHILE THE ADMINISTRATION BELIEVES THAT DEREGULATION OF NEW NATURAL GAS IS THE MOST IMPORTANT ACTION THAT CAN BE TAKEN TO REVERSE THIS ALARMING TREND, IT IS ALSO IMPERATIVE TO ASSURE THAT ALL POSSIBLE SECURE SOURCES OF ADDITIONAL GAS SUPPLY ARE DEVELOPED, INCLUDING, OF COURSE, THE ESTIMATED 26 TRILLION CUBIC FEET OF PROVEN RESERVES IN THE PRUDHOE BAY AREA OF ALASKA'S NORTH SLOPE.

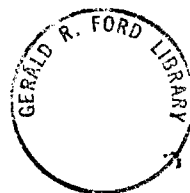
ALASKA CONTAINS ONE OF THE LARGEST KNOWN U.S. AREAS OF UNDEVELOPED NATURAL GAS. IN ADDITION TO CURRENTLY PROVEN RESERVES, THERE ARE AN ESTIMATED 76 TRILLION CUBIC FEET



OF UNDISCOVERED RECOVERABLE GAS RESOURCES. WE ESTIMATE THAT BY 1985 THE 0.8 TO 1.2 TRILLION CUBIC FEET PER YEAR OF ALASKAN GAS PRODUCTION COULD REDUCE DEMAND FOR IMPORTED OIL BY ABOUT 500,000 BARRELS OF OIL PER DAY, A SIGNIFICANT IMPACT ON ACHIEVING ENERGY INDEPENDENCE.

THE NATION'S NEED FOR THESE ADDITIONAL SUPPLIES OF NATURAL GAS INDICATES THAT THE GAS RESERVES IN ALASKA'S NORTH SLOPE BE DEVELOPED AND TRANSPORTED TO THE "LOWER 48" STATES AT THE EARLIEST PRACTICABLE TIME AND IN AN ECONOMICALLY AND ENVIRONMENTALLY SOUND MANNER. THE LONGER WE DELAY, THE MORE EXPENSIVE SUCH A PROJECT WILL BE. ASSUMING THAT THE COST OF EACH YEAR'S DELAY IN COMMENCEMENT OF CONSTRUCTION IS ABOUT SEVEN PERCENT, A DELAY OF FIVE YEARS WOULD INCREASE COSTS ABOUT 40 PERCENT OVER AND ABOVE INITIAL COST ESTIMATES OF BETWEEN 9 BILLION AND 12 BILLION.

TWO PROPOSALS DEALING WITH THE TRANSPORTATION OF ALASKAN GAS ARE NOW BEFORE THE FEDERAL POWER COMMISSION - THE TRANS-ALASKA OR EL PASO PROPOSAL, AND THE TRANS-CANADA OR ARCTIC GAS PROPOSAL.



IN ADDITION, SEVERAL OTHER PROPOSALS HAVE BEEN ADVANCED BY VARIOUS PERSONS AS BEING ADDITIONAL POTENTIAL CANDIDATES FOR TRANSPORTING ALASKAN NATURAL GAS TO THE CONTIGIOUS 48 STATES. WHILE THESE OTHERS HAVE BEEN DISCUSSED OVER THE PAST YEAR AND A HALF, ONLY THE TWO PROPOSALS I HAVE MENTIONED HAVE BEEN OFFICIALLY FILED WITH THE FEDERAL POWER COMMISSION BY THE APPLICANTS INVOLVED. IT IS MY UNDERSTANDING, HOWEVER, THAT THE NORTHWEST PIPELINE CORPORATION RECENTLY ANNOUNCED THEIR INTENTION TO SUBMIT A FORMAL APPLICATION TO THE FPC IN THE NEAR FUTURE AND WILL REQUEST THAT IT BE CONSIDERED ALONG WITH THE EXISTING TWO APPLICATIONS.

WE MUST KEEP IN MIND THAT ALL OF THESE TRANSPORTATION ROUTES INVOLVE DIFFICULT ECONOMIC AND ENVIRONMENTAL CONSIDERATIONS, AND SEVERAL MAY INVOLVE FOREIGN POLICY CONSIDERATIONS. THESE CONCERNS ARE NOT INSURMOUNTABLE AND, INDEED, MUST BE RESOLVED QUICKLY IF DELAYS IN CONSTRUCTION ARE NOT TO INFLATE THE ULTIMATE COSTS OF THE SYSTEMS, WHICH APPEAR TO BE ECONOMIC AT THE PRESENT TIME. FURTHER, WE MUST NOT LOSE SIGHT OF THE COST TO THE AMERICAN CONSUMER AND AMERICAN INDUSTRY IF WE ARE FORCED TO REPLACE THIS VALUABLE SOURCE OF ENERGY WITH MORE EXPENSIVE ALTERNATE FUELS, SUCH AS PROPANE, BUTANE, DISTILLATE AND RESIDUAL OIL. NOT ONLY WOULD THERE BE AN INCREASED ECONOMIC IMPACT INVOLVED IN THE SHIFT TO THESE



ALTERNATE FUELS, BUT THERE IS THE INCREASED RISK THAT IF DOMESTIC NATURAL GAS IS UNAVAILABLE, WE WILL BE FORCED TO IMPORT OIL.

THE EL PASO ROUTE PROPOSES 809 MILES OF PIPELINE PARALLELING THE ALYESKA OIL PIPELINE CORRIDOR TO A GAS LIQUEFACTION PLANT AND TERMINAL AT GRAVINA PT. IN SOUTHERN ALASKA. FROM THERE, THE LIQUEFIED NATURAL GAS WOULD BE SHIPPED BY CRYOGENIC TANKER TO A RECEIVING TERMINAL AND REGASIFICATION PLANT IN SOUTHERN CALIFORNIA.

THE ARCTIC GAS ROUTE PROPOSES AN ESTIMATED 195 MILES OF PIPELINE EASTWARD FROM PRUDHÔE TO THE CANADIAN BORDER, 2430 MILES OF A CANADIAN LINE TO CAROLINE JUNCTION IN SOUTH ALBERTA AND TWO INTERCONNECTING TRUNK PIPELINES FOR DISTRIBUTING GAS TO WESTERN AND EASTERN REGIONAL MARKETS IN THE LOWER U. S.

ONLY ONE OF THESE SYSTEMS, SOME OTHER ALTERNATIVE OR MODIFICATION OF THEM, OF COURSE, CAN RECEIVE APPROVAL. WHAT CONCERNS US HERE IS THE LENGTH OF TIME WHICH MAY BE NEEDED TO REACH ALL OF THE DECISIONS WHICH ARE NECESSARY. OUR EXPERIENCE WITH THE TRANS-ALASKAN OIL PIPELINE AUTHORIZATION ACT DOES PROVIDE A GENERAL MODEL FOR ASSURING A DECISION WHICH CARRIES OUT THE PUBLIC INTEREST.



TO ILLUSTRATE SOME OF THE AREAS OF POTENTIAL DELAY, I WOULD LIKE TO REITERATE FOR THE COMMITTEE SOME OF THE ACTIONS WHICH ARE EXPECTED TO BE NECESSARY.

THE FEDERAL POWER COMMISSION MUST ISSUE A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND OPERATION OF THE TRANSPORTATION SYSTEM, INCLUDING THE ALLOWABLE TARIFF; AUTHORIZE THE SALE OF GAS BY PRUDHOE BAY GAS PRODUCERS; ISSUE CERTIFICATES FOR CONSTRUCTION OF CONNECTING PIPELINES BY OTHER COMPANIES FOR DISTRIBUTION OF GAS IN THE "LOWER 48" STATES; AND APPROVE QUANTITY AND PRICE AGREEMENTS, WHERE RELEVANT, AMONG PARTIES AFFECTED BY PROPOSED DISPLACEMENT ARRANGEMENTS.

THE DEPARTMENT OF INTERIOR MUST ISSUE PERMITS FOR RIGHTS-OF-WAY OVER FEDERAL LANDS, BOTH IN ALASKA AND IN THE "LOWER 48" STATES.

THE ENVIRONMENTAL PROTECTION AGENCY IN CONJUNCTION WITH THE STATES MUST ISSUE PERMITS, WHERE RELEVANT, FOR DISCHARGE OF LIQUID WASTE INTO WATERS OF ANY STATE.



THE CORPS OF ENGINEERS MUST ISSUE PERMITS FOR RIVER CROSSINGS AND FOR DREDGING OF RIVER BOTTOMS.

THE U. S. COAST GUARD MUST APPROVE VARIOUS PROPOSALS REGARDING CONSTRUCTION AND OPERATION OF LIQUEFIED NATURAL GAS TANKERS, IF RELEVANT.

OTHER FEDERAL AGENCIES, SUCH AS THE FEDERAL MARITIME COMMISSION, THE PUBLIC HEALTH SERVICE; THE MARITIME ADMINISTRATION, AND THE FEDERAL COMMUNICATIONS COMMISSION ALSO HAVE REQUIREMENTS WHICH MUST BE MET BEFORE THE TRANSPORTATION SYSTEM CHOSEN CAN MOVE FORWARD.

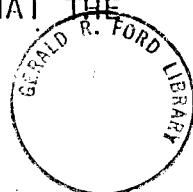
FINALLY, THE INDIVIDUAL STATES INVOLVED MUST ALSO GIVE APPROVALS. ALASKA MUST AUTHORIZE THE NATURAL GAS MAXIMUM EFFICIENT RATES (MER) OF PRODUCTION. RELEVANT STATES MUST ISSUE AUTHORIZATIONS REGARDING ROADS, SEWAGE, COASTAL ZONE IMPACTS, ETC. IN ADDITION, SOME STATES MAY INSTITUTE ADDITIONAL CERTIFICATION REQUIREMENTS TO MINIMIZE PARTICULAR ADVERSE EFFECTS.

BEYOND THESE FEDERAL AND STATE ADMINISTRATIVE CONSIDERATIONS WHICH HAVE TO BE TAKEN INTO ACCOUNT, THERE IS THE ADDITIONAL DELAY WHICH COULD BE CAUSED BY LITIGATION.



AS CAN BE READILY SEEN FROM THIS LISTING, THE POTENTIAL FOR DELAY IS SUBSTANTIAL. FOR THIS REASON, WE ARE PLEASED TO DISCUSS WITH YOU TODAY LEGISLATION PROPOSED BY THE ADMINISTRATION WHICH WOULD EXPEDITE THE DECISION ON MAKING ALASKAN GAS AVAILABLE TO THE REST OF THE NATION. THE "ALASKAN NATURAL GAS TRANSPORTATION ACT" WILL ENSURE COMPLETE COORDINATION OF ALL EXECUTIVE AND INDEPENDENT AGENCY DETERMINATIONS, AND WILL ASSURE THAT THE PUBLIC AND THE CONGRESS WOULD HAVE THE OPPORTUNITY TO PARTICIPATE FULLY IN THE DECISION-MAKING PROCESS. MOST IMPORTANTLY, THIS LEGISLATION WILL PROVIDE A MECHANISM TO OBTAIN A FINAL DECISION ON THIS VITAL ISSUE AS SOON AS POSSIBLE, BUT NO LATER THAN OCTOBER 1, 1977. EQUALLY IMPORTANT, IT WILL ENSURE THAT UP-TO-DATE DETAILED TECHNICAL, FINANCIAL AND ENVIRONMENTAL STUDIES WILL BE COMPLETED SO THAT THE PUBLIC AND THE CONGRESS WILL HAVE ALL AVAILABLE INFORMATION TO REVIEW THE DECISION. IT WILL ALSO AVOID THE LONG DELAY OF LITIGATION BY LIMITING THE SCOPE AND TIMING OF JUDICIAL REVIEW.

WE DO NOT BELIEVE THAT ANY OF THE OTHER BILLS INTRODUCED ON THIS ISSUE TO DATE, WITH THE EXCEPTION OF THE ADMINISTRATION BILL, ADDRESS THE RIGHT ISSUES. MOST OF THESE BILLS FAVOR SELECTION OF A PARTICULAR ROUTE. WE BELIEVE THAT SELECTION OF EITHER ROUTE IS PREMATURE AT THIS POINT SINCE THE FPC HAS NOT COMPLETED ITS PROCEDURES. ONE PROCEDURAL BILL OTHER THAN THE ADMINISTRATION'S, S. 2519, HAS BEEN INTRODUCED. THIS BILL WOULD MANDATE THAT THE



FPC MAKE A FINAL DECISION AND THAT ALL NECESSARY PERMITS AND AUTHORIZATIONS BE ISSUED BY JUNE 30, 1976. THE FPC DECISION COULD NOT BE REVIEWED EXCEPT BY THE CONGRESS. NOT ONLY IS THE TIMING OF THIS REQUIREMENT UNREALISTIC, BUT IT DOES NOT PROVIDE FOR PRESIDENTIAL REVIEW, WHICH WE BELIEVE IS NECESSARY GIVEN THE MAGNITUDE OF THIS ISSUE.

WHAT IS NEEDED IS LEGISLATION WHICH ALLOWS THIS PROCESS TO PROCEED WHILE AT THE SAME TIME INSURING THAT BOTH THE PRESIDENT AND THE CONGRESS PLAY THEIR APPROPRIATE ROLES.

THE ADMINISTRATION'S BILL WOULD WORK AS FOLLOWS: THE FEDERAL POWER COMMISSION WOULD BE DIRECTED TO COMPLETE ITS REVIEW OF PROPOSED TRANSPORTATION SYSTEMS AND TRANSMIT A DETERMINATION TO THE PRESIDENT BY JANUARY 1, 1977. THE FPC IS ALREADY ENGAGED IN COMPREHENSIVE HEARINGS ON ALASKAN GAS TRANSPORTATION PROPOSALS, WHICH THEY EXPECT TO COMPLETE IN THE NEAR FUTURE. THE FPC DETERMINATION MAY BE IN THE FORM OF A CERTIFICATE OF CONVENIENCE AND NECESSITY OR SUCH OTHER FORM AS THE COMMISSION DEEMS APPROPRIATE. THEREFORE, THIS BILL IN NO WAY PREEMPTS THE FPC'S FACT FINDING ROLE.

AN EXECUTIVE BRANCH DECISION WOULD BE MADE BY THE PRESIDENT AFTER OBTAINING SUCH INFORMATION AND RECOMMENDATIONS FROM OTHER FEDERAL AGENCIES AS THE PRESIDENT DEEMS APPROPRIATE. SINCE



THESE REPORTS WOULD BE DUE BY FEBRUARY 1, 1977, ONE MONTH AFTER THE FPC TRANSMITS ITS DETERMINATION, FEDERAL AGENCIES WOULD HAVE ADEQUATE TIME TO ADDRESS ALL ISSUES RAISED BY THE FPC. THESE AGENCY REPORTS WILL PROVIDE INFORMATION WITH RESPECT TO ISSUES RELATED TO NATIONAL ENERGY POLICY, TRANSPORTATION SAFETY, FOREIGN POLICY CONSIDERATIONS, NATIONAL DEFENSE, NATURAL RESOURCES, AND FINANCING. IN FACT, MANY FEDERAL AGENCIES HAVE ALREADY CONTRIBUTED TO THE CURRENT FPC PROCEEDINGS.

THE PRESIDENT WOULD THEN MAKE A DECISION AS SOON AS POSSIBLE AFTER HE RECEIVES THE AGENCIES' ASSESSMENTS, BUT IN ANY EVENT NO LATER THAN AUGUST 1, 1977. TO PROVIDE EVEN FURTHER OPPORTUNITY TO ENSURE FULL CONSIDERATION OF ALL FACTORS IN THIS DECISION, THE CONGRESS WOULD THEN HAVE 60 DAYS IN WHICH IT MIGHT REVIEW AND ACT UPON THIS DECISION. IF, AFTER THE CONGRESSIONAL REVIEW, NO ACTION HAS BEEN TAKEN TO OVERTURN THE DECISION, THE FEDERAL POWER COMMISSION AND OTHER RELEVANT AGENCIES ARE MANDATED TO ISSUE PROMPTLY THE NECESSARY CERTIFICATES, PERMITS, LEASES, RIGHTS-OF-WAY, AND OTHER AUTHORIZATIONS.

TO ENSURE ADEQUATE ENVIRONMENTAL SAFEGUARDS, NO AUTHORIZATIONS MAY BE ISSUED UNLESS A "FINAL" ENVIRONMENTAL IMPACT STATEMENT HAS BEEN COMPLETED. THE BILL WOULD LIMIT THE SCOPE AND TIMING OF JUDICIAL REVIEW, CONSISTENT WITH CONSTITUTIONAL SAFEGUARDS,



SO THAT LAWSUITS BY PRIVATE PARTIES WILL NOT HAMSTRING
EXPEDITIOUS CONSTRUCTION OF A SYSTEM THAT THE PRESIDENT
AND THE CONGRESS HAVE AGREED IS IN THE NATIONAL INTEREST.

MR. CHAIRMAN, THESE PROVISIONS OF THE BILL ARE IN MANY WAYS
SIMILAR TO THOSE ADOPTED BY THE CONGRESS IN THE TRANS-
ALASKA PIPELINE AUTHORIZATION ACT OF 1973. THIS LEGISLATION
IS NO LESS URGENT, AND WE ARE HEARTENED THAT THE SENATE
COMMERCE AND INTERIOR COMMITTEES ARE GIVING THIS BILL
SERIOUS ATTENTION. WE COMMEND THIS COMMITTEE FOR ADDRESSING
THIS IMPORTANT ISSUE AT THIS TIME.

THANK YOU.

