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MEETING WITH THE PRESIDENT AND
GOVERNOR HAMMOND

Tuesday, September 2, 1975

5:00 p.m.

Oval Office

AIRUM GROSS, Atty Gen
GUY MARTIN,
Comm NAT Resources



THE WHITE HOUSE

WASHINGTON

August 30, 1975

MEETING WITH GOVERNOR HAMMOND
(Alaska - R)

Tuesday, September 2, 1975
5:00 - 5:30 (one-half hour)
Oval Office

From: Jim Cannon



I. PURPOSE

The Governor wishes to discuss the orderly development of Alaska's energy resources and the location of the pipeline which will transmit natural gas from Prudhoe Bay to the lower 48 states.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

Alaska (Gas) Pipeline

A major decision, which you probably will ultimately have to make, is how to transmit the estimated 26 trillion cubic feet of natural gas which is known to exist in Alaska to the lower 48 states. There are two major alternatives under consideration:

- . Arctic gas - This is a trans-Canada route which would bring the Prudhoe Bay gas to the United States and Canadian gas to the western part of Canada.
- . El Paso - The so-called "all-American" route would involve a second pipeline parallel to the existing oil pipeline across Alaska to a point near Valdez, where it would be liquefied and transported by ship to the West Coast at which point it would be regasified and sent via existing pipelines, (strongly favored by Governor Hammond).

Outer Continental Shelf

The Interior Department has scheduled lease sales for OCS drilling in the Gulf of Alaska, for late December or early January. Governor

Hammond has requested a delay for environmental reasons.

Oil Pipeline

Also the question of the completion of the trans-Alaska pipeline on schedule could arise. The Department of Interior is currently evaluating this situation and a report is expected in the near future. See Tab A.

B. Participants

Governor Hammond, Jim Cannon, Frank Zarb and Mike Duval.

C. Press Plan

To be announced.

III. TALKING POINTS

I. Location of Gas Pipeline:

Note: This issue raises very serious energy, diplomatic, and political problems. ~~Not~~ more staff work is necessary before the issue is ready for your consideration. It may be advisable to defer any final decision by you until after the election. In any event, I recommend you avoid any commitments to Governor Hammond on the substance and timing of this matter.

- . No decision has yet been made within the Administration on which route should be selected or whether we should seek legislation to override existing statutes in order to speed up construction of this pipeline.
- . Of course, legislation was ultimately required for the oil pipeline across Alaska and it could also be required in this case. The Canadians are considering the Arctic Gas proposal and their own exclusive Canadian gas pipeline called the "Maple Leaf Proposal."
- . The FEA and the Interior Department are working on a detailed analysis which will be ready in the late fall or early winter, and I have asked Frank Zarb to join us today so that he might hear some of your views.

- Because this matter is currently before an independent regulatory agency, the Federal Power Commission, we have to be sensitive to the integrity of their proceedings and avoid any attempts to influence that proceeding. Nevertheless, it is proper to discuss the gas pipeline questions in the context of our overall national energy policy, federal lands policy, and our international relations questions.

2. OCS Drilling:

The Department of Interior feels we must go forward with the lease sale in the Gulf as soon as possible and we need your help. A setback here could result in the postponement of other lease sales (such as-- California and off the Atlantic Coast). The recoverable reserves in the Alaska Gulf area scheduled for the December sale are: 2.8 billion barrels of oil and 9 trillion cubic feet of gas. This amounts to 550,000 barrels of oil per day which could be up to one-third of all the oil we expect from the entire Outer Continental Shelf area.

3. It is true that the Gulf of Alaska presents the toughest environmental challenge of any OCS area. Nevertheless, experience derived from drilling in the North Sea area suggests that this can be done in an environmentally safe manner.
4. Completion Date of the Trans-Alaska Pipeline: I understand that you have met with Kent Frizzell, Acting Secretary of the Interior, this morning, and I am sure that he mentioned that he is currently looking at whether or not the construction will be completed on schedule, and we will keep you informed as this information develops.

THE PRESIDENT HAS SEEN....



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Dear Mr. President:

RL
Following your inquiry at a recent Cabinet meeting concerning the status of the construction of the Trans-Alaska Pipeline System, I have undertaken measures to ascertain whether the construction will be completed on schedule. Mindful of the critical impact on our Nation's energy supplies of any delay in completion of the Trans-Alaska Pipeline System, the Department of the Interior is continuously monitoring the status of the project. Our review focuses not only on the environmental aspects of construction, but also the schedule of construction, and the diligence of the owners in meeting or improving that schedule.

Right-of-way permits were granted to the applicants on January 23, 1974. Construction of the pipeline started in April 1974. At that time, the initial through-put of oil was estimated to occur in mid-1977. Since that estimate, circumstances have occurred which might delay the scheduled completion of the pipeline. The original estimate of the total cost of the pipeline was \$4.5 billion. The owners' estimate of the total cost is now \$6.5 billion. Recently, the owners have terminated the services of Bechtel Corporation, their principal construction manager, and assumed the management role themselves. During the first six months of calendar year 1975, progress was greatly hampered by late deliveries of construction equipment, poor camp facilities, and an inexperienced working force.

In order to assist the owners in expediting completion, the Department last year sought and obtained priorities assistance under the Defense Production Act. This assistance has been most beneficial to construction progress.



The owners still state that the mid-1977 completion date is attainable. However, due to the unique construction methods required in the Arctic, a delay of only a few months in one of several components of the system may have a substantial effect on the completion date of the project.

To assess the probability of such delays, and to undertake measures to prevent them, I have invited the owners of the pipeline to meet with me to informally discuss our concern that there be no delays in the completion of the project. This meeting has been tentatively scheduled for the last week of August.

I will keep you apprised of any changes which may occur in the project's construction schedule.

Sincerely yours,


Secretary of the Interior

The President
The White House
Washington, D.C. 20500

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