



Alaska governor wants state to buy pipeline stake
By Yereth Rosen, Reuters
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ANCHORAGE, Alaska - Alaska should buy a share of the trans-Alaska oil pipeline, the 800-mile energy artery that has been shipping North Slope crude for the past three decades, Gov. Frank Murkowski said on Thursday.

Buying into the oil pipeline will complement plans for negotiating a 20 percent share of a yet-to-be-built, \$20 billion pipeline that would transport the North Slope's vast bounty of natural gas to markets in the lower 48 states, the Republican governor told a joint session of the legislature.

"Because the gas pipeline will transform the North Slope and our incentives will increase oil production, owning a portion of the oil pipeline, in my opinion, is critical for Alaskans," Murkowski said in his state-of-the-budget address, delivered at the state capitol in Juneau.

Alaska receives royalties on about 12.5 percent of the nearly 900,000 barrels per day that flow through the Trans Alaska Pipeline System (TAPS), Murkowski said. "The state can easily justify acquiring an interest equal to its throughput," he said.

Partial state ownership would Alaska a bigger player in North Slope energy development and could reduce litigation with pipeline owners over tariffs, which has occurred "almost constantly" during the pipeline's lifetime, the governor said.

It could, however, create conflicts with the state's regulation of the pipeline, a point critics have raised in discussing plans for Alaska to own a share of the gas pipeline.

The oil pipeline, which opened in 1977, runs from Prudhoe Bay on Alaska's North Slope to the port of Valdez. It now carries about 15 percent of U.S. domestic oil production and has shipped about 15 billion barrels of oil over its lifetime.

Once his administration completes gas-pipeline negotiations with the major North Slope producers -- ConocoPhillips, BP and Exxon Mobil, -- state officials will start negotiating for a share of the oil line, Murkowski said. The three firms are also the major owners of the oil pipeline.

"Initial contacts have been made with TAPS owners on this matter. There is interest in the proposal. And I think there is every reason to believe ... that the TAPS line will be in business for another 30 years or more," he said.

In his budget speech, Murkowski also detailed his plans to put \$400 million into a down payment for the state's projected \$4 billion share of the gas project.

The payment would come from an expected budget surplus for the coming fiscal year of about \$1.2 billion, the result of record-high oil prices.

"I don't look at this as an expense. I look at it as an investment, an investment that is going to pay handsome, handsome returns," he said.

One Democratic legislator said it would be "dangerous" to buy into the aged oil pipeline.

"Thirty years ago, I think it wasn't a bad idea. But 30 years ago is a long time in Alaska history," Rep. Beth Kerttula of Juneau said at a news conference.

Murkowski's plan to take a 20 percent share of the proposed gas pipeline and take natural gas in lieu of tax payments also has pitfalls, she said.

"We don't produce gas, but we would wind up owning a portion (of the pipeline) that we would be responsible for filling. If that's empty because we don't have the gas, we lose tremendously," she said.

Earlier on Thursday, two former Murkowski administration officials told lawmakers that partial state ownership of a gas pipeline would be risky because the state lacks a marketing arm and may have to sell at a discount.

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