

## Energy Insider by William Engdahl

### That Alaska gas pipeline

*If Reagan approves the Carter administration's plan, he may well find it politically, as well as financially expensive.*

President Reagan is being asked by Atlantic Richfield, Exxon, and British Petroleum's Sohio subsidiary for a little assistance. These companies want to help out the embattled Alaska Natural Gas Transmission System (ANGTS), and specifically, Northwest Alaskan Pipeline Co. They want Congress to amend the 1976 Alaska Natural Gas Transportation Act, which forbids gas producers from holding equity in the \$30 billion project.

John G. McMillian, chairman of the Salt Lake City-based Northwest Alaskan Pipeline Co., has just sent Energy Secretary Edwards a lengthy memorandum on how such a change in the law could help finance the costly pipeline.

Alaska has staggering amounts of untouched gas and crude oil reserves. Development and delineation of the remaining unexplored regions is, rightly, a major priority of the Reagan Interior and Energy Departments. A recent U.S. Geological Survey estimate is that Alaska holds between 61 and 164 trillion cubic feet (tcf) of gas in recoverable form. Prudhoe Bay field alone holds some 26 tcf of proved reserves. If the proposed Alaska Highway Pipeline Project is completed, Prudhoe Bay, at a daily flow of 2.4 billion cubic feet per day could supply 5 percent of the U.S. "lower 48" states consumption until at least the year 2000. For Alaska to deliver its vast gas reserves to the rest of the country, an economic

means of bringing it there must be put in place.

Alaskan gas will be a great benefit to the United States, no question about it. But there are some facets of this particular Alaska Highway Pipeline Project that the President and members of Congress ought to know about.

First, this proposal was selected by President Jimmy Carter in September 1977. Mr. Carter, no doubt with the advice of his Rand Energy Secretary James Schlesinger, chose the most complicated and costly option. Was there method to his madness? To evaluate this, it is useful to look at the options Carter had to choose from.

From independent accounts, by far the most feasible and sensible option was that of the El Paso Liquid Natural Gas Co. It would have provided 3.5 bcf per day of North Slope gas, almost 50 percent more than the present proposal. The proposal, the Trans-Alaska Natural Gas Project, would have built an 809-mile parallel pipeline from Prudhoe Bay to Prince William Sound for liquefaction, and have shipped gas to the West Coast of California, where it was to be regasified and piped through an existing pipeline system to the rest of the country. In 1975, cost would have been \$7.9 billion, somewhat less than our present \$30 billion project. It had the further advantage over the Carter choice in that it did not depend on the caprices of

the Canadian government of Pierre Trudeau, with its National Energy Program to retroactively nationalize 25 percent of U.S. oil and gas companies.

Now, one reason the costs have soared for John McMillian's proposal that Canadian officials have added huge environmental costs. Mitchell Sharp, a member of the antidevelopment Trilateral Commission who also heads Canada's Northern Pipeline Agency, is most eager for Reagan to give Arco the green light "and get the project over with very quickly." Is he looking forward to tax revenues from a pipeline that carries U.S. energy to U.S. industry? Or is this a way to knot U.S. energy delivery into another tangle of delay?

The White House should also be very clear about who it is dealing with. Of course, the fact that former Carter campaign head Robert Strauss has been flying across the country with his friend John McMillian to lobby for this Alaska Highway Pipeline Project, is not damning in itself. And the fact that John McMillian was a heavy Carter campaign backer—we all make mistakes.

Robert Strauss is using his influence, according to a very reliable source, to get the Reagan administration to approve the entry of Exxon, Arco and Sohio into the pipeline of Mr. McMillian, and give them preferential treatment. The President could well be playing right into the hands of the wily Mr. Strauss and his friends Tip O'Neill, Ted Kennedy et al. who would love to accuse the President of "giving handouts to the multinational oil companies" while he cuts Social Security. I would watch this one closely, Mr. President.