From:	Kellie, Cordelia
To:	LNGStudy
Cc:	TSweeney@asrc.com; Glenn, Richard; Kemppel, Denali
Subject:	ASRC Comments DOE 2012 LNG Export Study
Date:	Thursday, January 24, 2013 2:41:30 PM
Attachments:	1.24.13 Final ASRC Comments DOE 2012 LNG Export Study.pdf

Hello,

Thank you for this opportunity to comment on the 2012 LNG Export Study. Attached are comments from Arctic Slope Regional Corporation.

Please do not hesitate to contact me if there are any questions.

Thank you again for your consideration.

Arctic Slope Regional Corporation

Qiġnaaq
Cordelia J. Kellie
Government Affairs Associate, External Affairs
Arctic Slope Regional Corporation
(907) 339-6084 phone
(907) 280-7345 cell

arctic slope
regional corporation

Anchorage Office • 3900 C Street, Suite 801 • Anchorage, Alaska 99503-5963 • 907.339.6000 • FAX 907.339.6028 • 1.800.770.2772

arctic slope regional corporation

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U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
P.O. Box 44375
Washington, DC 20026-4375

Re: Arctic Slope Regional Corporation's Comments on 2012 LNG Export Study

Dear Study Comment Coordinator:

This letter provides Arctic Slope Regional Corporation's (ASRC) comments on the 2012 LNG Export Study pursuant to the Notice of Availability of 2012 LNG Export Study and Request for Comments (77 Fed.Reg. 73627 (December 11, 2012).

ASRC supports efforts by the U.S. Department of Energy's (DOE or the Department) to better inform the Department's decision-making process with respect to applications seeking authorization to export Liquefied Natural Gas (LNG) from the lower-48 states to non-free trade agreement (FTA) countries. ASRC believes that safe, expeditious and responsible development of domestic oil and gas resources, including those resources on the North Slope of Alaska and in the Alaska Outer Continental Shelf (OCS) region, is critical for the United States' energy policy and energy mix, for national security, and for the Alaska economy that supports our Alaska Native shareholders. Developing additional markets for these natural resources, including appropriate exportation of LNG, will only serve to increase incentives to further develop these resources.

Recognizing that one element of the LNG export equation is the potential impacts of LNG exports on the U.S. economy, ASRC believes that the 2012 LNG Report, and specifically the December, 2012, report from NERA Economic Consulting (NERA) entitled *"Macroeconomic Impacts of LNG Exports from the United States,"* appropriately focuses the analysis on the macroeconomic impacts in the context of the "public interest" evaluation required pursuant to the Natural Gas Act.

ASRC also urges that DOE utilize the 2012 LNG Export Study framework as the basis for evaluating any future applications that are filed with respect to potential export facilities located in Alaska, or that would serve to export LNG developed from natural gas fields in Alaska, both onshore and offshore.

Background

ASRC is an Alaska Native Regional Corporation created at the direction of Congress under the terms of the Alaska Native Claims Settlement Act of 1971 ("ANCSA"). See 43 U.S.C. § 1606. This landmark legislation extinguished Alaskan aboriginal land rights, and authorized and directed Alaska Natives to adopt a western corporate model to manage lands, funds and natural resources. Under ANCSA, Iñupiat Eskimos living on the North Slope on or before December 18, 1971, were eligible to enroll as shareholders in ASRC. ASRC has since issued additional shares to their descendants, giving ASRC a shareholder base of approximately 11,000 Iñupiat Eskimos.

Through ANCSA, Congress created ASRC for the financial and cultural benefit of the Iñupiat people. Operating in one of the least hospitable natural climates in the world, we have built businesses to provide jobs for our people, tax revenues for our Villages and our Borough, and cash dividends for our shareholders. At the same time, we have integrated maintenance and protection of the Iñupiat cultural and traditional practices into the ASRC business.

In carrying out our congressionally-mandated mission, ASRC and its subsidiary companies are active participants in North Slope onshore and Arctic OCS oil and gas exploration, development and production. The oil and gas industry is the source of many jobs for ASRC's Iñupiat shareholders and of many contracting opportunities for the ASRC family of companies. This includes work our subsidiaries perform as contractors in oil and gas field developments, engineering, pipeline maintenance, and property leasing for exploration and development.

ASRC also has a significant stake in ensuring that oil and gas exploration and development in the Arctic is performed in a manner that minimizes the impacts and potential impacts on subsistence activities of our communities and shareholders. As a result, ASRC has historically been very involved in working with the government and with private parties to address concerns about North Slope onshore and Arctic OCS exploration and its potential effects on the subsistence activities of our communities and shareholders.

ASRC Supports the Responsible Development of Domestic Oil and Gas Resources

ASRC recognizes that responsible development of domestic oil and gas resources, including oil and gas resources on the North Slope and in the Arctic OCS, is a critical component of the country's overall energy policy and strategy. The U.S. Geological Survey has estimated that there are up to 80 trillion cubic feet of potential, technically recoverable gas resources on the Alaska North Slope. In addition, in the Bureau of Ocean Energy Management's most recent assessment of recoverable oil and gas resources it estimated that there are 398.4 trillion cubic feet of undiscovered technically recoverable natural gas in the Federal OCS, and a significant portion of this resource base is located in the Arctic OCS.

Developing domestic energy resources – including those on the North Slope and in the Arctic OCS – will both reduce our country's reliance on foreign oil (bringing attendant national security benefits as well) and bring much-needed jobs to our communities. ASRC also believes that fully exploring the degree to which exporting LNG is appropriate and feasible from all areas of the country, including Alaska, will serve to provide additional incentives for the development of these resources; this is especially important during times when domestic prices of natural gas are depressed.

ASRC Supports the 2012 LNG Export Study

ASRC recognizes that the 2012 LNG Export Study did not consider the impact of exports of Alaska natural gas production, primarily because there is currently no natural gas pipeline interconnection between Alaska and the lower-48 states and "…the macroeconomic consequences of exporting LNG from Alaska are [therefore] likely to be discrete and separate from those of exporting from the lower-48 states."[1] As discussed further below, there have been several recent developments with regard to the potential development of infrastructure that would support future export of LNG produced from natural gas recovered from the North Slope and/or the Arctic OCS, and ASRC urges the Department to apply the same type of evaluation process that resulted in the issuance of the 2012 LNG Export Study when it is asked to authorize export of natural gas from these facilities.

According to the Department, there are currently 15 proposed LNG export facilities that are seeking to export LNG to non-FTA nations.[2] Pursuant to the Natural Gas Act, the Department is required to authorize such a facility, and where such a facility plans to export natural gas to non-FTA nations, the DOE presumes, as part of the authorization process, that allowing the export of LNG from the facility is "in the public interest" unless, after opportunity for a hearing, DOE makes an affirmative finding that authorizing such a facility would not be consistent with the public interest. The Department has initiated formal proceedings for each of these 15 pending applications, and plans to use the 2012 LNG Export Study (and comments that it receives regarding the Study) in its case-by-case determinations of whether individual applications are consistent with the public interest.

While the Department has not issued regulations defining "consistent with the public interest" in the context of Section 3 of the Natural Gas Act, is did issue a set of Policy Guidelines in 1984 setting out the criteria that DOE/FE employs in evaluating applications for natural gas imports;[3] in subsequent cases the Department held that the same policies are to be applied to natural gas export applications.[4]

The goals of the Policy Guidelines are to minimize federal control and involvement in energy markets and to promote a balanced and mixed energy resource system. The Guidelines provide that the federal government's primary responsibility in authorizing exports will be to evaluate the need for the gas and whether the export arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market.[5]

The Department also summarized the factors that it considers in the evaluation of applications for authorization to export LNG in a recent opinion and order:

> [T]his agency's review of export applications in decisions under current delegated authority has continued to focus on the domestic need for the natural gas proposed to be exported; whether the proposed exports pose a threat to the security of domestic natural

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[1] 77 Fed.Reg. 73627, at Footnote 1.
[2] *Id.*, at 73626
[3] *New Policy Guidelines and Delegation Orders From Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to the Regulation of Imported Natural Gas*, U.S. Department of Energy, 49 FR 6684 (February 22, 1984).
[4] Order No. 1473 at 14, *citing Yukon Pacific*, Order No. 350, 1 FE 70,259 at 71,128.
[5] *New Policy Guidelines.*

> gas supplies; and any other issue determined to be appropriate, including whether the arrangement is consistent with DOE's policy of promoting competition in the marketplace by allowing commercial parties to freely negotiate their own trade arrangements.[6]

In the context of the 2012 LNG Export Study and the 15 pending applications for export, the Department asked NERA to evaluate the economic impact of LNG exports on a macroeconomic level, primarily to allow the Department to have a better understanding of this important element of the "consistent with the public interest" evaluation that DOE will be undertaking for each of the 15 pending applications.

ASRC agrees that a broad evaluation of the impacts of authorizing LNG exports is appropriate in the context of each of these pending applications, and that commissioning a study that takes the best available data and information and models a wide variety of domestic natural gas development and export scenarios is the most efficient way to conduct an analysis that ensures consistency in the process.

ASRC believes that the 2012 LNG Study Report, which concludes that "[a]cross all these [modeled] scenarios, the U.S. was projected to gain net economic benefits from allowing LNG exports"[7] reflects exactly the type of analysis and report that the Department commissioned. It appropriately analyzes the results of the modeling in a macroeconomic context. While the results of individual modeling runs and scenarios project different impacts, and different magnitudes of impacts, on certain economic sectors or socioeconomic groups, the focus of the Department's request was appropriately on the broader issue of how U.S. LNG exports could affect the public interest writ large. ASRC also notes that the 2012 LNG Export Study concludes that "…for every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased," and that "all export scenarios are welfare-improving for U.S. consumers."[8]

ASRC urges that the Department use the 2012 LNG Export Study Report and the conclusions contained therein to inform the existing case-by-case Department approval process regarding applications for authorization to export LNG.

<u>Alaska Oil and Gas Resources</u>

ASRC recognizes that at the request of the Department, the 2012 LNG Export Study did not consider the impact of exports of Alaska natural gas production, primarily because the lack of existing natural gas pipeline interconnections between Alaska and the lower-48 states means that the macroeconomic consequences of potential exports of LNG from Alaska would be independent from the macroeconomic impacts of exports from the lower-48 states.

ASRC does want to bring to the Department's attention the fact that there is increasing attention being paid to the development of appropriate infrastructure in Alaska that could facilitate future large-scale export of LNG produced from Alaska natural gas. These efforts include analyses of projects at the state level, discussions between elected officials in Alaska and potential export customers, as well as proposals from the private sector to build and operate pipeline and

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[6] *Sabine Pass Liquefaction, LLC*, Opinion and Order No. 2961, U.S. Department of Energy (May 20, 2011).
[7] *2012 LNG Export Study*, at 1.
[8] *Id.*, at 1, 55.

liquefaction facilities that could move natural gas from the North Slope and the Arctic OCS to the interior of Alaska and potentially to export terminals.

As these efforts move forward, it is likely that one or more entities will seek authorization from the Department for the export of LNG from a terminal in Alaska. At that time the Department will be required to undertake the same type of "consistency with the public interest" determination that triggered the commissioning of the 2012 LNG Export Study. Assuming that the statutory/regulatory processes have not changed, ASRC urges that the Department apply the same type of straightforward evaluation process that resulted in the issuance of the 2012 LNG Export Study when it is asked to authorize export of natural gas from these facilities.

While not an issue with respect to this proceeding, there is a broader issue involved with respect to moving natural gas produced from the North Slope and Arctic OCS, and that is the extremely high cost of energy in the Interior region of Alaska, which has had and continues to have a material economic impact on Alaskans and Alaska businesses. ASRC has been involved, and will continue to be involved, in discussions regarding a comprehensive solution to address the high cost of energy statewide, and specifically in the Interior region of Alaska. As part of those efforts, ASRC has evaluated potential impacts of development of a pipeline system to deliver natural gas to the Interior region, and we believe that there may be potentially negative impacts on some consumers and businesses (including heating fuel distributors and Trans Alaska Pipeline System-dependent refineries) that must be considered throughout the decision-making process currently underway with the State of Alaska.

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We appreciate the opportunity to submit these comments on the 2012 LNG Export Study. ASRC believes that the 2012 LNG Export Study represents an appropriate analysis of the macroeconomic impacts of the export of LNG in the context of the "consistency with the public interest" analysis that the Department will be undertaking for each of the proposed export facilities. ASRC also supports the responsible development of domestic oil and gas resources, including those located on the North Slope and in the Arctic OCS, and we believe that the authorized export of natural gas will serve to provide additional incentives for the development of these resources.

Thank you for your consideration of these comments.

Sincerely,
ARCTIC SLOPE REGIONAL CORPORATION

Richard Glenn
Executive Vice-President
Lands and Natural Resources