From:	VanNordenm@gtlaw.com
To:	LNGStudy
Subject:	2012 LNG Export Study: Initial Comments of Daniel S. Sullivan, Commissioner of the Alaska Department of Natural Resources.
Date:	Thursday, January 24, 2013 11:10:28 AM
Attachments:	2012 LNG Export Study SOA Comments 1-24-2013.pdf

Please find the enclosed initial comments on the 2012 LNG export study of Daniel S. Sullivan, Commissioner of the Alaska Department of Natural Resources.

Mike V.

THE STATE
of ALASKA
GOVERNOR SEAN PARNELL

Department of Natural Resources

Office of the Commissioner

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Via Electronic Filing
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January 24, 2013

U.S. Department of Energy (FE-34)
Office of Natural Gas Regulatory Activities
Office of Fossil Energy
Forrestal Building, Room 3E-042
1000 Independence Avenue, SW
Washington, DC 20585

Re: 2012 LNG Export Study

In response to the Notice of Availability of 2012 LNG Export Study and Request for Comments in the fifteen (15) LNG export application proceedings in FE Docket Nos. 10-161-LNG, et al. ("Notice"), the State of Alaska ("Alaska") submits these Initial Comments. These Initial Comments seek to confirm that the LNG Export Study commissioned by the Department of Energy ("DOE") was prepared, solely and exclusively, to inform DOE's decisions on applications seeking authorization to export LNG from the lower-48 states to non-free trade agreement ("FTA") countries. The LNG Export Study states it did not consider the macroeconomic impact of the export of Alaska natural gas production.[1] Consequently, regardless of any actions or limitations DOE may or may not take or impose with respect to LNG exports from the lower-48 states, Alaska respectfully requests that DOE expressly disclaim any intention to place limits on the exportation of LNG from Alaska in these proceedings.

As DOE states in the Notice, the LNG Export Study consists of two parts: (1) the study prepared by the Energy Information Administration ("EIA") entitled "Effect of Increased Natural Gas Exports on Domestic Energy Markets" dated January 2012, and (2) the study prepared by NERA Economic Consulting ("NERA") entitled "Macroeconomic Impacts of LNG Exports from the United States" dated December 2012. The LNG Export Study concludes that LNG exports produce net economic benefits despite higher lower-48 wellhead prices across all scenarios. Based on the conclusions set forth in the LNG Export Study, Alaska is aware that DOE may be asked by other parties to consider in these proceedings the imposition of limits on the export of LNG. For the reasons set forth below, DOE should make clear it is not imposing any

[1] See Footnote 1 at Page 2 of Notice of Availability and Page 3 of January 2012 EIA Study, discussed *infra.*

limits on the export of LNG from Alaska in these proceedings.

In its Notice, DOE states that the LNG Export Study "did not consider the impact of exports of Alaska natural gas production."[2] Because "there is no natural gas pipeline interconnection between Alaska and the lower-48 states," the LNG Export Study focused solely on the potential export of LNG "from the lower-48 states", not on potential exports of LNG from Alaska. Alaska respectfully requests that DOE should reiterate that distinction in whatever action it takes in these proceedings.

In addition, while Alaska's North Slope has over 30 Tcf of proven gas reserves,[3] it is well known that these gas reserves are currently "stranded" in the sense that pipeline infrastructure has yet to be built to enable these reserves to be marketed commercially. Thus, these reserves currently cannot be accessed by the lower-48 market. When presented with the issue of Alaskan LNG exports in 1988, President Reagan found that exports of Alaskan LNG would not diminish the total quantity or quality nor increase the total price of energy available to the United States.[4] Based on President Reagan's finding, DOE in 1989 authorized the export of a large quantity of Alaskan LNG, although that gas unfortunately remains stranded today.[5] With the development of massive quantities of lower-48 shale gas in recent years, these prior findings by President Reagan and DOE regarding the export of Alaskan LNG are, if anything, even more apt today.

Alaska continues to work with producers and other interested parties to develop the infrastructure necessary to make these valuable resources available to energy markets. Indeed, the major producers in Alaska recently announced they are making progress on a major Alaskan LNG export project.[6] The State of Alaska's Alaska Gasline Development Corporation (AGDC) has also made significant strides in the past year on permitting North Slope gas for Alaskans. Based on these and other promising developments, Alaska has increasingly come to believe that the commercialization of its stranded gas reserves may entail the development of a world-class LNG export project (which also serves in-state but not lower-48 gas demand). Accordingly, Alaska respectfully submits that the DOE should make clear in these proceedings that, regardless of whatever other action it takes here, it is not imposing any limit on potential LNG exports from Alaska.

Respectfully submitted,

Daniel S. Sullivan
Commissioner

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[2] Notice at n.1.

[3] The Prudhoe Bay and Port Thomson units have approximately 24.5 Tcf and 8.0 Tcf of proven natural gas reserves, respectively.

[4] *See* Presidential Finding Concerning Alaska Natural Gas, 53 Fed. Reg. 999 (Jan. 15, 1988).

[5] *See Yukon Pacific Corp.*, DOE Opinion and Order No. 350, 1 FE ¶ 70,259 (1989).

[6] *See, e.g.*, Letter from ExxonMobil, ConocoPhillips, BP and TransCanada to Alaska Governor Parnell on October 1, 2012.