



Alaska State Legislature House and Senate Democrats

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Croft Introduces Natural Gas Reserves Bill

HB 482 assures supply of natural gas for pipeline

JUNEAU – Representative Eric Croft (D-Anchorage) today introduced House Bill 482 to ensure that there will be a steady supply of natural gas for any pipeline project.

Commercializing Alaska's natural gas requires confidence that three things exist: markets for the gas at an adequate price, entities willing to build the gasline, and producers willing to sell the gas to fill the line. Market observers agree that the North American and Pacific Rim markets can absorb Alaska's gas at good prices. In the last two months, the state has received applications from two entities capable of building the project and the Alaska Natural Gas Development Authority is ready to add value to either application. The final piece of the puzzle is confidence that the producers will agree in advance to sell the gas. Without this assurance, no project can be financed. There is significant concern that the refusal to agree to sell the gas will delay or defeat an otherwise qualified project.

"Now is the time for us to assure the supply of natural gas for the proposed natural gas pipeline," said Representative Croft. "We cannot afford to be six or 12 months into the application process and have this problem arise. We need to know now that the gas will be available before we break ground."

HB 482 imposes a reserves tax on holders of natural gas leases if the leaseholders fail to sell gas for a natural gas pipeline. The tax will not be collected if the leaseholders agree to sell the gas. HB 482 is one of the few taxes that encourages rather than discourages development.

"This is a tax that is never meant to be collected," said Representative Croft. "This measure is intended to produce a pipeline, not revenue. It only produces revenue if the oil companies refuse to sell our gas for a pipeline."

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