

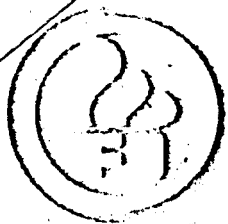
Office of the Federal Inspector

Alaska Natural Gas Transportation System

FA-1

1000 Independence Avenue, SW
Washington, DC 20585

October 5, 1987



MEMORANDUM FOR Honorable James A. Baker III

FROM: Theodore J. Garrish *T. Garrish*
Federal Inspector for the Alaska
Natural Gas Transportation System

RE: EPC Consideration of North Slope Gas Exports

Based on recent discussions and materials related to the issue of exporting Alaska North Slope gas to the Asian market, it appears that most elements within the Administration support allowing such exports and that this course of action will probably be recommended at an upcoming Economic Policy Council meeting. I am writing, however, to stress the importance of exercising a measure of caution in this undertaking. Approving the export of North Slope gas, without a clear reaffirmation of the American commitment to the Alaska Natural Gas Transportation System (ANGTS), could generate concerns that the United States is retreating from its previous commitment to the ANGTS project and thereby adversely affect the project's potential completion.

I have had the opportunity to review a draft Presidential Finding with respect to exports of North Slope gas to the Asian market. It essentially approves such exports, concluding that they would not have a detrimental effect on energy supplies or prices within the United States. With respect to the impact on the ANGTS, the proposed Finding suggests that there is no intent to "hinder completion of the Alaska Natural Gas Transportation System." For the following reasons, I believe the language of the Finding needs to be more supportive of the ANGTS.

First, the United States has made explicit commitments to the completion of the ANGTS, and assurances of this commitment have been expressed by both Presidential communications to the Canadian Government and by a Congressional Joint Resolution. Taking an action perceived as inconsistent with the development of the ANGTS, such as approving the shipment of North Slope gas through a different transportation system, without making a strong reaffirmation of the American commitment to the ANGTS, could signal a retreat from these prior commitments. Private entities which have invested in the ANGTS project on the strength of this nation's commitment to it will

now have to contend with an apparent change in American policy regarding North Slope gas reserves. Instead of a commitment to the ANGTS as the means of bringing North Slope gas to the lower 48 states, America's commitment will appear to be to the development of North Slope gas in general without emphasizing a particular project to achieve this objective. While this result may reflect the collective judgment of the Administration, the potential impact on the ANGTS project and the historic assurances made by the United States regarding its future indicate the need to do more than render a passing acknowledgement of the project's existence. Anything less could have a destabilizing effect on the investment and construction decisions of the ANGTS sponsors.

Second, a failure to strongly reaffirm American resolve to complete the ANGTS could signal to the Canadian Government a dilution of the commitment upon which substantial Canadian investment in the ANGTS is based. The Canadian Government approved construction of the Southern portion of the ANGTS in Canada only after the United States made clear that it was fully committed to the project's completion. To express an interest in developing North Slope gas for a purpose unrelated to the ANGTS would suggest that previous American commitments to Canada regarding the ANGTS were unreliable. This could seriously complicate future discussions between the United States and Canada regarding final construction and completion of the ANGTS project.

I can appreciate the Administration's desire to remove any obstacles that could stand in the way of an entity's attempt to develop North Slope gas reserves. My concern is simply that in the process of doing so, the Administration may send negative signals to both the ANGTS sponsors and the Canadian Government, signals that could indicate a retreat from prior commitments rather than a simple, objective desire for the economic development of Alaskan gas reserves. Under these circumstances, I urge the Economic Policy Council to incorporate in the Presidential Finding a strong reaffirmation of the long-standing American commitment to the ANGTS project.

If you desire additional information or have any questions regarding this issue, please do not hesitate to contact me.

cc: Honorable Eugene McAllister
Honorable Arthur B. Culvahouse, Jr.

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Washington, DC 20585

October 5, 1987

MEMORANDUM FOR Honorable Arthur B. Culvahouse, Jr.
Counsel to the President

FROM: Theodore J. Garrish *T. Garrish*
Federal Inspector
Alaska Natural Gas Transportation
System

SUBJECT: North Slope Gas Exports

Attached is a copy of a memorandum to Secretary Baker regarding the proposed Presidential Finding on Alaskan North Slope gas exports to the Asian market, an issue currently under EPC review. Because this issue bears significantly on activities related to the Alaska Natural Gas Transportation System, I wanted to bring my concerns to your attention as efforts begin towards preparation of a final version of the Presidential Finding.

I would be pleased to work with your office to provide any assistance you may request on this matter.

Attachment



DEPARTMENT OF THE TREASURY
WASHINGTON

D-0032967

October 21, 1987

MEMORANDUM FOR THEODORE J. GARRISH
Federal Inspector for the Alaska
Natural Gas Transportation System

From: Ernest F. Chase
Director, Office of Regional and
Resources Policy

Subject: Alaska North Slope Gas

Your memorandum to Secretary Baker of October 5 regarding possible issuance of a Presidential Finding authorizing export of Alaska natural gas was referred to me for reply.

As you may know, the EPC considered this issue on October 13 and concluded that further consultations with Canada were desirable, particularly regarding the possible effects of the proposed Presidential Finding on Canadian public opinion and ultimate approval of the U.S.-Canada free trade agreement.