

The Palin-Parnell Administration presents

# AGIA

The Alaska Gasline Inducement Act

Senate Judiciary  
4/4/2007

# AGIA Overview



## **AGIA:**

- Is a **commercial vehicle** that creates a competitive playing field
- Provides a **pipeline sooner and on Alaska's terms**
- Is a **transparent process**, with **transparent inducements**.

# Commercial Vehicle



- AGIA is not a negotiation
- Successful bidding process requires AGIA's inducements
  - Inducements provide for a level playing field and all the players are in the game
  - Without inducements, no bidders
  - Without bidders, state has no ability to get a pipeline on its desired terms

# Commercial Vehicle



## AGIA's inducements:

- Known, clearly quantified, and transparent
- Midstream inducement of \$500 million:
  - *reduces licensee's project development risks, especially an independent pipeline licensee*
- Upstream tax and royalty inducements:
  - *coupled to the licensed midstream project to make license more valuable, by*
    - Encouraging open season participation
    - Ensuring that state will stick with its licensed partner
- Requirement to obtain pipeline certificate reduces overall project risks, increases state leverage

# A Project on the State's Terms



- State's "must haves" focus on its future:
  - A competitive and vibrant oil and gas industry
  - Jobs and careers, not only from the pipeline itself, but also from a competitive oil patch
  - Gas for Alaskans

# A Project on the State's Terms



The state “must haves”

- Minimum 70/30 debt/equity ratio ensures reasonable base tariffs
- Expansion requirements ensure that gas found by any party can access the pipeline
- Rolled-in rates that ensure that all parties have an economic incentive to explore for gas, competition for oil and gas, and all of Alaska's gas can get into the pipeline

# Transparent Public policy



- AGIA creates a competitive process, not a negotiated process
- Bids will be submitted, commented upon by the public, and evaluated
- A winner chosen by the Commissioners
- Legislative review and approval
- Value of AGIA's inducements are up front and transparent

# Summary



- AGIA levels the playing field.
- AGIA is a **commercial vehicle** that provides a **pipeline sooner on Alaska's terms**, in a **transparent manner**.



## Constitution of Alaska

### Article 9 - Finance and Taxation

#### § 1. Taxing Power

**The power of taxation shall never be surrendered. This power shall not be suspended or contracted away, except as provided in this article.**

# Increasing Predictability for Producers



## Constitution of Alaska

### Article 9 - § 4. Exemptions

**The real and personal property of the State or its political subdivisions shall be exempt from taxation .... [P]roperty used exclusively for non-profit religious, charitable, cemetery, or educational purposes, ... shall be exempt from taxation. Other exemptions of like or different kind may be granted by general law. All valid existing exemptions shall be retained until otherwise provided by law.**