Energia Cura says larger line possible

Company proposing small-bore natural gas line from North Slope to Interior says expanded line could allow for gas to Cook Inlet

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Energia Cura believes its proposed 10-inch small-bore natural gas pipeline from Alaska's North Slope should be expanded to 18 inches and a flange provided at Livengood which would allow gas to be moved to Southcentral.

Beyond the flange, the line would drop down to 10 inches to serve Interior needs.

In an Oct. 28 letter to the Alaska Gasline Development Corp., Alexander Gajdos, a principal with Energia Cura, said expansion of the company's proposed line could be done "at a much lower capital cost" than building a 24-inch line from the North Slope to Cook Inlet.

A 24-inch bullet line from the North Slope to Southcentral is the project AGDC is working. The project team was established by the Alaska Legislature with House Bill 369 earlier this year work up a plan for an in-state natural gas pipeline. AGDC will present that project plan to the Legislature by July 1, defining a preferred reliable source of energy for Southcentral and Interior Alaska, with a startup date by the end of 2015.

Energia Cura is proposing a line just to Interior Alaska. It held a nonbinding open season and said after the open season closed in mid-October that it had received nominations in excess of 12 billion cubic feet per year (some 33 million cubic feet per day). The company said a volume of 12 bcf a year would allow it "to deliver natural gas to the Interior at less than half its current cost."

In excess of 19 bcf per year

Gajdos said in the letter to AGDC that to date Energia Cura has received nominations in excess of 19 bcf a year, or more than 52 million cubic feet per day.

He told AGDC that increasing the diameter of the small-bore line from 10 inches to 18 inches provides capacity to supply all Cook Inlet requirements for at least the next 25 years.

And the company's business model does not require state subsidies, he said.

Gajdos said that whether the state subsidizes Alaska North Slope natural gas or a pipeline to Cook Inlet markets, the state's "attainable retained wealth from development and sales of both CI and ANS gas will be compromised." He said the cost of a bullet line, recovered in tariffs, "will both drive gas prices well beyond those now set in current wholesale contracts and reduce the State's net benefit from extraction and sales of these resources"; he also said the proposed 24-inch diameter for the bullet line would be some 70 percent excess capacity over current Cook Inlet demands.

Third-generation GTL

Gajdos said third-generation gas-to-liquids technologies, such as those Royal Dutch Shell is using at its Pearl GTL plant in Qatar, may allow North Slope natural gas to be exported as liquids within the next decade.

"If the Pearl GTL plant confirms Shell's commercial assumptions that inspired its huge capital investment within the next five years, another decade and a half will most likely follow before a similar or more evolved plant can be made operational on Alaska's North Slope," Gajdos said.

The capital requirements for such a plant would be significant, he said, and the Shell plant is not estimated to begin operation until 2012.

But, he said, if a GTL plant could move North Slope natural gas to market as liquids, it would be at premium crude prices "where the energy in crude trades for 2.5 times the energy in gas today."

Gajdos said that third-generation GTL technology, like shale gas, "has the power to instigate another paradigm shift in natural gas economies."

Another perspective

Another perspective comes from David Gottstein, who told AGDC in a letter dated July that "any pipeline project is largely a combination of economics, logistics, finance and politics."

With Southcentral running out of natural gas, he said the alternatives are waiting for the producers to build a gas pipeline — and importing liquefied natural gas in the short term — or "deciding to build an incredibly inefficient bullet or narrow gauge gas pipeline that will saddle Alaskans with high energy costs for decades. While at the same time severely handicapping the prospects for an export project."

Gottstein recommended that the state invest enough money to get natural gas to an Interior hub in a large-diameter line. Oil and gas companies have to wait until they can fill a line before they commit to build, and he projects — based on uncertainty about both pricing and demand — that it could be five to 10 years before companies would actually fund a project.

The State of Alaska, he said, is the only entity in a position to invest money (specifically, "the $3 billion extra it would take to increase the size of a pipe from the North Slope to the Interior suitable for export capacity"), because the state makes most of its money from selling the resource rather than transporting it.