Fairbanks Pipeline Company

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FOR IMMEDIATE RELEASE:

Federal Pipeline Coordinator Overlooks Market Reality

Export Line Does Nothing to Address Immediate Energy Crisis

Fairbanks – Representatives of the Fairbanks Pipeline Company, in response to a recent editorial by Federal Pipeline Coordinator Larry Persily, are questioning the basis for support of large scale natural gas exports. "Persistent claims by the Federal Pipeline Coordinator that North Slope natural gas will eventually be marketable to the lower 48 are misguided. They seem to ignore some fundamental facts of North American natural gas economics", said Alexander Gajdos, a principle partner of Energia Cura, LLC, the firm managing the Fairbanks Pipeline Company's "Arctic Fox" natural gas pipeline project.

NYMEX natural gas futures have historically traded between an average range of approximately $4 to $8/mmBTU, well below the $11.26 price necessary to recoup capital investments required for a large-scale export project within a twenty year period. For comparison, the capital costs of the Trans-Alaska Pipeline were recouped in approximately three years. The markets are not indicating that the future price range of natural gas will increase to levels required to support a large-scale project anytime soon

"Fairbanks should note that the focus of the Federal Coordinator seems to be to ensure that lower 48 long-term energy needs are taken care of without considering the fact that Alaska's own energy costs are over double that of outside markets… no consideration of the fact that ever-increasing energy prices have forced Fairbanks and the Interior into economic dire straits – a situation that simply cannot wait 20+ years for a solution", said Gajdos.

The Arctic Fox pipeline project differs from large-scale export projects (as well as the AGDC state-sponsored medium pipeline scale project) because it allows Alaskans to invest in the pipeline itself, thereby retaining the transportation portion of its natural gas value chain within Alaska.

When ANS crude was exported at its peak during the eighties, the TAPS tariff captured between 3/5 and 1/3 of our crude's wealth, depending on the year in question. Owning more of the resource's entire value chain (pipelines) was part of Norway's future strategy when it found oil and gas about the same time as Alaska. Since discovery, Norway has produced roughly 2.3 times as much oil and gas as Alaska. However, Norway's Sovereign Fund has a balance of close to $700 billion today versus the $40 billion Alaska has retained in its Permanent Fund. The principal difference between Alaska and Norway is that Norway invested early on in its pipeline systems. While it would have been difficult for Alaska to build the TAPS when oil was discovered, its population and economic base today can easily finance a sensibly scaled pipeline system to offset the energy costs of its own residents. Gajdos cautioned that "Alaskans should question whether their State and Federal officials are working for Alaskans or for outside interests".

The Arctic Fox by can be completed and in service within 2 winter construction seasons. It is a market based approach that delivers ANS gas to existing interior load centers, such as gas and electric utilities, military installations and large mines. It is not dependent on significant global gas price increases to become viable, and can provide immediate relief from debilitating energy costs. No other proposal in the vanguard offers Alaskans this combination of benefits or comes close to netting the highest value of ANS gas to Alaskans.

For more information, please call (907) 452-3466, or visit www.fairbankspipelinecompany.com