

Be in Desperate Financial Straits If-

If Pipeline Is Not Built in Alaska Gov. Egan Tells Committee

WASHINGTON — Calling the proposed trans-Alaska oil pipeline environmentally and economically superior to a Canadian pipeline route, Alaska Governor William A. Egan said here today his state will be "in desperate financial straits" within just a few years unless the project is allowed to proceed soon.

Egan, in testimony to Senator William Proxmire's Joint Eco-

nomic Committee, said Alaska has already lost "a staggering \$1.2 billion" in state revenues from the long delay in constructing the pipeline to transport oil from Alaska's rich North Slope fields to market on the West Coast.

A Canadian route, which he called environmentally more risky because of having to cross greater distances of permafrost,

Egan said, would cost \$8.47 billion compared to +3.5 billion for the trans-Alaska route and would increase the cost of shipping oil to the lower states 87.4 cents a barrel.

The Alaska governor said this would compound his state's revenue-loss problem since state oil revenues are based on the "wellhead" value, which is the

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Egan Pushes Pipeline...

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value remaining after transportation costs are subtracted from the market price of the oil delivered to the refinery.

Governor Egan said it was originally anticipated that state income from North Slope oil production would begin in 1973. But now, because of the long pipeline construction delay, he said, "income at that anticipated 1973 level will not begin until 1976 or later" and that the three years of lost revenues approximates the \$1.2 billion.

He said continued delay beyond 1976 or 1977 "would mean an actual cutback of vital state expenditures to a point where the general health, safety and welfare of Alaskan citizens would be seriously jeopardized."

The Alaska governor also said the assumption that a single pipeline corridor could be utilized by running both an oil and a natural gas line through Canada "may not be technically valid."

He said the two lines will operate at different temperatures and "soil conditions that might be acceptable to one might be totally unacceptable for the other. The different engineering requirements involved may not permit a single corridor but in some areas two routes widely separated."

This, he said, would negate supposed environmental and economical advantages anticipated by some as their reason for favoring a Canadian route.

In addition, Egan said, the assumption that a Canadian route would bring gas quicker to midwestern markets "is also a false one."

For conservation purposes, he explained, natural gas initially will be reinjected into the oil fields to maintain pressure and allow maximum recovery of oil.

Full gas production should be available by 1978, he said, "at which time a gas line is planned for completion . . . The same considerations (on the timing of volume gas production) apply regardless of whether the oil pipeline crosses Alaska or Canada."

As well as the greater delay involved in a Canadian route postponing state of Alaska revenues, the governor said, input of Canadian oil into the line could cut Alaskan oil production by 50 per cent.

"Since state revenues depend on the rate of production," he said, "such a cut would work a tremendous financial burden on the state."

As well as providing sorely needed state revenues, Egan said, the trans-Alaska pipeline "will

be highly beneficial to the economy of the state, and of the nation. I think this is obvious in that so many government and political leaders are so keen on having this industry locate in their particular region."

The governor also said the trans-Alaska pipeline project should not be treated out of context with the historic Alaska Native Claims Settlement approved by Congress last year.

"The Settlement Act," he said, "provides that over one half of the monetary settlement will come from the royalties, rentals and bonuses Alaska will receive from its oil. A long delay in the flow of North Slope oil will mean a long delay in giving rural Alaska the economic means of breaking the poverty cycle which has too long been part of rural Alaska life."

In his testimony, Governor Egan said he believes "an endless pursuit of often-undefined goals in the name of environmental protection — in the absence of a governmental framework to clearly define environmental objectives — will result in stagnation of the American economy through federal inaction or delay."

Because of Alaska's circumstances as an emerging economy "and as the major target of of undefined environmental goals," he said, "a particularly severe hardship is being worked on our state."

Elaborating in a longer, written statement filed with the committee, the Alaska governor said Congress "has not given the executive branch the substantive standards it would need for the kind of centralized decision making which is being attempted through the National Environmental Policy Act."

As a result, he said federal actions under the act are actually evolving into "a restructuring of American enterprise, public and private" on the basis of environmental considerations alone and in the absence of overall guidelines.

Egan told the committee that Alaska's petroleum resources "were recognized from the start as being the vital financial foundation" for Alaska statehood.

He said that "to deprive Alaska of this keystone facility (the trans-Alaska pipeline) . . . would be a disaster of the first order for the human environment of the Alaskan people. I ask that you, in your wisdom, weigh carefully in your deliberations the justified needs of Alaska's citizens and our aspirations as a state."