

Statewide in Alaska

February, 1971

The Trans-Alaska Pipeline Project Lives! A recent upsurge of interest on both sides of the border in the possibility of moving oil from Alaska's North Slope to market via a Canadian oil pipeline, instead of one through Alaska, has elicited considerable concern from various quarters within Alaska. At the root of this worry are fears of lost business, jobs and economic growth for the State due to cancellation of the massive Trans-Alaska Pipeline project. However, a close look at the Canadian alternative (assuming that one is to be built in favor of the other) leads to the conclusion that barring a total federal refusal to allow the project the Alaska pipeline still has strong edge over the one proposed through Canada.

Probably the first consideration that comes to mind when judging the relative merits of the two routes is the time, money and effort that the oil industry has already expended upon investigating the Alaskan route. According to Alyeska Pipeline Service Company, in excess of 35 million dollars has been spent on preliminary work in Alaska. These expenditures have taken place over the past two years, and have included, among other things, the building of a road costing 10 million dollars from Livengood to the Yukon River.

In addition to money already spent, scrubbing the project would create still more costs for the oil industry in disengaging from Alaska. For example, pipe deployed at storage yards in Alaska would have to be transported to Canada. Trucking the hundreds of miles of pipe stored at Fairbanks and Valdez to points in Canada would be quite expensive. Still more costly would be cash settlements with pipeline access road contractors on heavy equipment presently located north of the Yukon River. The equipment was deployed at camps along the route of the proposed pipeline access road during early 1970 in anticipation of work beginning on the road as a prelude to actual pipeline construction. As a result of pipeline delays, the road project was postponed indefinitely and the equipment has sat idle ever since. At the very least, the oil industry would have to pay depreciation costs on the equipment. With between 350 and 400 pieces involved, this could prove to be a substantial sum. Burgess Construction Company alone invested some 14.5 million dollars in 150 new bulldozers, graders, loaders etc. for the project.

Another cost consideration is the total 1.5 billion dollars already spent by oil companies in North Slope development. Of course a return on this investment will begin coming in as soon as the oil begins flowing to market, whether through Alaska or through Canada. However, Alaskan oil shipped through a Canadian pipeline would not recoup this investment nearly as rapidly as it would if transported through the proposed Trans-Alaska Pipeline for a number of reasons. One of these is the fact that Alaskan oil transported via a Canadian line would probably have to compete for space on an unequal basis with oil from that country's Arctic. Since, in terms of oil royalties, the name of the game is volume to market per unit time, it is in the interest of the Canadian government to have as much Canadian oil as possible flowing to market through the line. Hence flow

rates of Alaskan oil through Canada would probably never equal those projected for the Alaska pipeline. Lower flow rates would mean, among other things, a lower rate of return to the oil industry on oil extracted in Alaska.

Another factor preventing a rapid return on the oil industry's Alaska investment are the further production delays that would be incurred as a direct result of scrapping the Alaska pipeline in favor of one through Canada. According to the U.S. Department of the Interior's Environmental Impact Statement, these delays would be on the order of two to four years. They would result from additional time required to do engineering work that has already been done for the Alaska line plus additional construction time due to the Canadian pipeline's greater overall length.

However, probably the telling argument against it is that a pipeline through Canada does not really circumvent the environmental and legal logjam surrounding the proposed Alaska pipeline. Rather it merely hits it from another angle. A pipeline through Canada would face most of the same environmental problems as does the Alaska pipeline. Furthermore, there would still have to be a portion of the Canadian pipeline that would run through Alaska, from Prudhoe Bay to the Canadian border. This segment would be several hundred miles in length and have to cross terrain very similar to that to be traversed by the northern portion of the Alaska pipeline. As such, it would be open to many of the same delay producing objections now afflicting the Alaska pipeline. These include not only those pertaining to environmental protection but also many related to the unresolved native land claims issue.

In conclusion, it should be stated that the purpose of this article is not to recommend which pipeline should be built. Indeed, oil industry sources have at different times indicated that development of Arctic oil reserves in Alaska and Canada may eventually require pipelines through both Alaska and Canada. Rather the intent is simply to point out that, even in the face of recent delays, the Trans-Alaska Pipeline project is far from dead. In view of this, those who would write its obituary so soon are, it seems, being extremely premature.

Bristol Bay Publication Now Available: The employable residents of Bristol Bay were surveyed by the Smaller Communities Team during the fall of 1970. The publication Alaska Manpower Resources, Bristol Bay, is a summary of the Department of Labor's Smaller Communities Team's findings in the Bristol Bay area. These include occupational experiences of residents, willingness to move for work or training, educational levels, etc. The publication may be obtained by writing to:

Alaska Department of Labor
Research and Analysis Section
Juneau, Alaska 99801