Event Summary: Arctic Gas

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On Thursday, June 23, 2011 the CSIS Energy & National Security Program hosted the Honorable Robert R. McLeod from the Ministry of Industry, Tourism, and Investment, 16th Assembly, Government of the Northwest Territories and Larry Persily, the U.S. Federal Coordinator for Alaska Natural Gas Transport to discuss the future of arctic gas. Moderated by Sarah Ladislaw of the Energy & National Security Program, this event touched on a variety of topics related to challenges and opportunities of developing and transporting natural gas resources from the Northwest Territories to the North American Market.

The Honorable Robert McLeod focused much of his discussion on the proposed Mackenzie Valley pipeline, a 1,196 Kilometer natural gas pipeline that would run along the Mackenzie Valley of Canada's Northwest Territories connecting Canadian onshore gas fields with North American markets through northern Idaho. Proponents stress that it will benefit both the United States and Canada by generating employment and providing an additional energy resource in a time of increasing energy demand. While the project has been in the works for over 40 years, the energy imperative faced by both the United States and Canada has made the project increasingly relevant. Currently the pipeline is still in the contracting phase with the fiscal framework under negotiation. Construction is slated to begin in 2015, and gas projected to flow by late 2018. While foreign investment interest has been piqued, Mr. McLeod noted that the Canadian government would prefer to transport natural gas resources via pipeline as opposed to shipping to Asian Markets because of both convenience and cost. Minister McLeod noted several barriers to completion including public perception, infrastructure development costs, permits, and alternative energy options, however, he emphasized that despite such barriers the Canadian-U.S. pipeline remained a feasible project.

Persily discussed the Alaska Pipeline. The Alaska natural gas pipeline project has not yet reached the contract stage, and is in the midst of working towards obtaining permits and accepting a development bid. Construction is projected to begin in 2016 with first gas in 2020 and full capacity reached by 2022. Like the Mackenzie pipeline, there exist several obstacles in the way of the construction of an Alaskan pipeline project. In both cases, abundant resources are available; however, economic barriers have limited development. Despite such economic constraints, Persily stated that an Alaskan pipeline is needed both in terms of energy accessibility and job production.

Both Minister McLeod and Persily discussed the implications that the relative boom in shale gas development and production has for the development of arctic gas and its associated infrastructure. Minister McLeod differentiated between good and bad shale gas, insisting that the increased supply of shale gas would aid the development of the pipeline as it would create demand, deliver consistent

pricing, and reduce the uncertainty in gas markets by providing a secure supply, which would entice utilities to switch over to natural gas. Persily stated that today's market does not need Alaskan gas; the uptick in supply of shale gas has caused demand destruction for Alaskan gas. He indicated that shale gas, climate regulations, environmental concerns and electric generation demand growth were key factors that would shape the trajectory of any proposed pipeline or development of arctic gas.