

## **INDEX**

- **"How to Build a Country"** Alaska Kai - 25th Anniversary Reception  
Tokyo, Japan -- December 5, 1988
- **Energy & Environment --The Future Revisited Oil & Gas –  
How Can Sufficient Capital be Mobilized?**  
Le Montreux Palace Hotel, Montreux, Switzerland -- September 7, 1990
- **Address to American Society of Civil Engineers**  
Northern Lights Inn, Anchorage -- Tuesday, May 8, 1990
- **Alaska Must Make Its Gas Competitive**  
Anchorage Daily News, Sunday, March 2, 1997

**"How to Build a Country"**  
**Alaska Kai - 25th Anniversary Reception**  
**Tokyo, Japan**  
**December 5, 1988**

Mr. Ikeura, Mr. Watanabe, Mr. Ishiyama, Senator Murkowski, Ladies and Gentlemen...

Good evening. This is the twenty-fifth anniversary of Alaska Kai. It is a big party. When the interests of Japan and Alaska come together, it is a big subject.

Twenty-five years ago, a far-sighted group of businessmen in Japan met to form Alaska Kai. What they recognized then is important today. To build Japan, it is helpful to tie with Alaska.

No nation can grow if it ignores its opportunities. That's why those who want to build Alaska can't ignore Japan, either.

Many people, especially in the United States, look at Alaska as the end of the road. The members of Alaska Kai and Alaska Nippon Kai think differently.

We both look at Alaska not as the end of the road but as the beginning of an opportunity. While Alaska's political ties may be with America its largest economic ties are with Japan.

Governor Steve Cowper put it well. If Alaska had the freedom to export its oil, over 80 percent of our gross product as a state would be tied to foreign trade.

We are one of America's principal exporting states.

I would like to title my talk today, 'How to Build a Country.'

Alaska is not a country. But to build it right, we must think as a country. Alaska, Japan, and the United States still have much building to do. For a brighter future, we must build for the future.

Senator Murkowski was a member of my cabinet when he made his first trip to Japan in 1968. He has watched our national relationship quite closely in his eight years' service in the Senate.

In a talk in Anchorage recently, he predicted concern over foreign ownership of U.S. assets could become a large issue in next year's Congress.

I believe that if international investors work to create new assets in the United States, and concentrate less on just buying assets, there'll be no problem.

There is a Wall Street disease that gives men great satisfaction from buying things. We hope this disease doesn't take root in Japan. Real satisfaction comes from building things. There is no real wealth without production.

Japan became a leading economic power in a generation by building. Alaska grew fastest among states with the same approach. We must lend that approach back to our nations, today, to gain real economic strength.

Our two great nations can no longer afford to quibble over small things. Managing our trade in pet food and fishing rods won't solve our problems. We need to think big, to take giant steps, to grow beyond our problems.

To build a country, be it America, Japan, or Alaska, first looks for opportunities. Don't believe in what you see, but see what you believe.

Next, remove the perceptions of impossibility.

Many people will tell you what you see is too big, too soon, too unattainable. Finally, invest for the long term. Stretch your resources. The world will catch up with you.

Alaska and Japan have lived this philosophy. Alaska's opportunities in fishing, timber, transportation, tourism, and energy have built both Alaska and Japan. Alaska Kai has helped. Let me give a few examples.

Japanese fishermen first came to Alaska in the middle 1930s.

I have to say the reception wasn't entirely hospitable. But for the value of our fishery today, we can thank Japan.

Species Alaskans didn't even know about 25 years ago are now becoming major exports. Parts of the catch we once threw away, like roe, now sell everywhere.

By building together, we have realized the immense economic value of the lowly bottomfish. Pollock now can be found in every U.S. supermarket, thanks to techniques of surimi borrowed from Japan.

I believe we both now look at the North Pacific as a breadbasket, one of the world's richest sources of food.

In the early 1950s, Japan helped Alaska discover the wealth of R's timber.

Japan made its first major postwar overseas investment in an Alaska pulp mill. That helped build the country.

American firms wouldn't invest in Alaska to serve the American market. When we try to sell timber to the United States, our competition begins in Seattle. Our real market is Japan.

Since the 1950s, air transportation has helped build the country. The great majority of all air cargo between Japan, the U.S. and Western Europe today passes through Anchorage.

Federal Express is expanding from the U.S. to Europe and Asia. Anchorage is its second major hub, after Memphis.

While we're stymied in our attempts to trade in oil, our airports themselves are major energy exporters.

Last year, we exported almost a quarter of a billion dollars of jet fuel in the wing tanks of big jets like Boeing 747s, bound for points around the world.

A proposed export oil refinery in Valdez would just add to the picture.

Growing tourism will also build the country. Alaska will continue its bid to host the Winter Olympics. In the meantime, thanks to Senator Murkowski, the thousands of Japanese who travel through Anchorage can now stop over without a visa.

Flights may soon begin between Alaska and Siberia, a border that has been closed for forty years. I believe we can help end the Cold War by showing Americans and Soviet citizens just how close we are.

In many ways, to agree to build together, we must first solve the problem of perception.

This fall, two whales were saved off American shores by a Soviet icebreaker and a Japanese built AST - Archimedian Screw Tractor. That episode eliminated the perception that we are enemies. The world will think of us now as neighbors.

As we look to the future of Alaska and Japan, there is still one big way to build the country - both our countries.

It is well know that the largest pending opportunity between us - indeed between all of the U.S. and Japan - is developing the natural gas in the Alaska Arctic.

Today, that opportunity struggles with the perception of impossibility.

The perception is the huge gas resources of the Arctic are too big to come to market. But if we work at it together, that perception can disappear.

In the first place, it is important to remember that 20 years ago, when Tokyo Electric Company and Tokyo Gas pioneered LNG from Alaska; it was a big project.

We stretched - but the world caught up with us. Today, Japan uses 30 times as much LNG as it did when it began with Alaska in 1969.

Even then, Japan still uses LNG for only about 10 percent of its energy. The United States, which uses over 20 percent, is considering a proposal to expand natural gas use by one-third.

Natural gas is a premium fuel. Indeed, because it is clean, safe, easy to use and abundant, I believe it will become the primary world fuel.

As Japan's standard of living increases, LNG use will probably also expand.

Since the late 1960s, geologists have discovered mammoth deposits of natural gas in four areas of North America.

One of these deposits is on Alaska's North Slope.

President Reagan has issued a finding saying this gas should be exported to the countries of East Asia.

When President Reagan and Prime Minister Nakasone met here in 1983, they issued a statement on energy. Our leaders gave special attention to developing Alaska natural gas.

Vice President Bush took responsibility for following up on that agreement. As President, he too will be urging this gas to be exported.

Every future President will be interested in this gas. It constitutes at least 12 percent of the continent's reserve. It promises to be a new export for the United States earning at least \$3 billion per year by the turn of the century.

At today's prices, the known Arctic gas is worth \$150 billion. A pipeline, tankers, and an LNG plant will cost just \$8 billion to get started. I believe this is not only possible, it is attainable soon.

Our study on this was completed with Japan in 1987. We concluded then that bringing this gas to market would be a four-nation project. Korea and Taiwan have recently told us they now have the demand. If Japan can now commit just half of its expected needs, the project can go.

We stand on the verge of being able to promise the three principal economies of Asia an unlimited supply of gas for at least a century. And we can do it competitively.

There are two reasons I believe the Alaska-Japan relationship will grow much stronger in the years to come.

The first is in the personalities of our two countries leaders. The second is the growing understanding that energy security and national security both come from interdependence.

George Bush, whom I have known for a long time, has the potential to be another Teddy Roosevelt.

I think of George Bush not just as an oilman but as an environmentalist. He is a creative entrepreneur. He understands the color of the environment is not just green, it is real. People who are cold, hungry, and unemployed, no matter how beautiful their surroundings, are in an ugly environment.

George Bush knows that the strength of a nation is in production. Infrastructure is not the product of a rich country; it is infrastructure that makes a country rich.

I believe he is looking to leave a mark not just by managing but by building. Teddy Roosevelt left a Panama Canal. George Bush speaks of missions required and missions accomplished. He knows well Alaska's mission is to get this LNG into production.

Prime Minister Takeshita is also an entrepreneur within government. He is known as a builder. His plans for the decentralization of Japanese cities suggests that. And like Teddy Roosevelt, Mr. Takeshita's soft voice is reminiscent of the phrase, 'Speak softly but carry a big stick.' That image fits too with George Bush's 'kinder, gentler America.'

Mr. Takeshita and Mr. Bush want to get things done. And they are both concerned with the concept of security.

Earlier this year, Senator Stevens was here with his colleagues to review our mutual security relationship.

Alaska has 27 military installations. Their role is for the defense of Japan as well as the United States.

It is part of our mutual security to help make secure energy available to our allies.

Our two countries' leaders recognized that in 1983. That philosophy has recently been reaffirmed.

Japan's imported oil comes mostly from the Persian Gulf. At present, 95 per cent of Japan's imported LNG comes from politically volatile or potentially volatile areas.

A final reason Alaska and Japan will grow together is we need to. Our resources in Alaska don't compete in the United States, they compete with other countries.

As large in area as Indonesia, Alaska is practically a country. And we're just as close.

Our government owns the resources. We fit the mix of private initiative and public need which characterizes the successful market economies of Asia.

We are the western edge of Anglo-Western Judeo-Christian civilization dealing with a part of the world that is neither Anglo nor Western nor necessarily Christian.

Our common interest helps bring these differences together.

That is why Alaska Kai has been so important in the last 25 years. In the next 25 years, we will work together to set options for a century.

I hope to be here for your 40th and your 50th anniversary.

Ladies and gentlemen, let me close by saying in the large number of visits with our friends in Alaska Kai over the years I'm most happy to have supported a program that reaches out for new blood.

My son Karl was one of the lucky students of Alaska who has had the opportunity to come to Japan on an Alaska Kai exchange. I know several of you were supportive of hosting these young people and sending your young people from Japan to Alaska.

Our bridge building will continue at many levels. But we must never forget to bring along the young.

Alaska has as its principal export natural resources. This will continue. But I believe an even more important export may be Alaska's challenge to the world's imagination.

Alaska is one percent of the whole world's land area. It forces us all to think big. But value to each other is economic, but also spiritual.

The frontiers of tomorrow will come when we discover the world's emptiness. That's how I view the opportunity - and the romance - of the Arctic and our working together.

Thank you very much.

###

### **Energy & Environment --The Future Revisited**

**Oil & Gas - How Can Sufficient Capital be Mobilized?  
Le Montreux Palace Hotel, Montreux, Switzerland  
September 7, 1990**

Good morning ladies and gentlemen. Thank you for the honor of speaking before you.

According to the conference schedule, you'll notice that my talk will be about vertically integrated LNG projects. As you'll soon discover, it's not

I'm going to talk instead on the need for specific focus, and then I'll speak about energy and the environment.....

A small highly focused organization can often achieve what larger vertically integrated companies cannot.

Fiesty, independent oil companies are a good example. The independent and the vertically integrated beside each other in the same oil fields and the independent will almost always achieve a higher rate of success.

The reason is simple. The independent is a believer. An owner. He has more at risk than the large company, and his focus on the well is more intense. His success rate proves it.

When I accepted this honor to address you, and learned of my scheduled topic, it made me question whether Yukon Pacific Corporation was vertically integrated? You tell me.

In 1982 I 'integrated' one employee, at half salary, into my office. That employee ran the engineering division, the marketing division, the political division and the construction division. He also made coffee. I was chairman.

Next we 'integrated' the colors of our logo with the color of the carpet Finally we 'integrated' all phases of governmental affairs-design engineering,-permitting,marketing, and construction into that one office, and integrated the whole program into the offices of my hotel management and shopping center business..

I think you'll agree that the word 'Integrated' is stretching it.

That's why I chose to talk about a focused company.

The late '60s and early 70s were the dawn of the environmental movement in America. As U.S. Secretary of the Interior, I could feel the problem. I could see, and feel the frustration. I dealt with it daily, and developed an acute understanding of where energy was headed, where the environmental movement was headed, and why.

I knew that gas was going to play a very major role in the future. That was 20 years ago. On the North Slope alone it is estimated that reserves total one hundred trillion cubic feet

I suggested then that the State of Alaska develop its enormous gas resources, pipe it to tidewater, and market it to Asia. There was little response. No one believed gas from the North Slope was economical.

Then, in 1982, we put Alaska's gas into high gear. We did a study to determine the State's options in transporting and marketing the gas. The study suggested we bring the gas to tidewater, and market the gas to Asia. The estimated cost of the project was \$14 billion. Shocked, the State backed off. I didn't.

In the eyes of the producers, and the buyers, that study killed the project.

But to me a study is words and paper. Not a project. Not the total picture. I knew gas was the future. New markets would develop. Out of this belief, out of this intense focus, Yukon Pacific Corporation was born.

Today, eight years later, Yukon Pacific Corporation employs 45 highly skilled professionals. It's a young company, sharp and aggressive, led by its president Bill McHugh. Although I am the largest individual stockholder, majority ownership is now controlled by CSX Corporation.

If we succeed in our efforts, our Trans-Alaska Gas System will span the distance between Prudhoe Bay and Valdez-- approximately 800 miles.

The cost of the line is expected to be \$11 billion in 1986 dollars. The labor force to construct the project will number 10,000 men. At capacity the pipeline will transport 14 million tons of LNG per year. Fifteen 1000-foot long double hulled LNG tankers will transport the gas from Valdez to Asia.

We have secured right-of-way permitting from both the federal and state governments. We have obtained approval of our environmental impact statement. We have received a Presidential finding in favor of the project.

We have received our export license. In fact we have secured every major permit and license needed to begin construction.

Our natural market for the gas is Asia. Combined, Japan, Korea and Taiwan have current contract commitments for 37 million metric tons per year. By their own estimates, 25-30 million metric tons of additional demand will need to be met by the year 2000. With the TAGS capacity of 14 million metric tons, clearly we have a market. Our target date of delivery is 1997.

Construction of the project will begin when we have secured contract commitments for seven million tons per year.

Korea has signed a letter of intent to purchase two of the seven million tons and President Moon of Korea Gas publicly stated that he believed Korea would increase that number to four million.

The Taiwanese have increased the tempo of ongoing negotiations.

In early August, Yukon Pacific Corporation was asked to host five members of the Japanese Diet. We did. Their mission was to examine natural resources, specifically gas. Our project.

There have been several periods during the development of this project when a large vertically integrated company would have walked away. We didn't. We focused on our only goal. Today we stand at the threshold of delivering that goal to the world .... 14 million tons of LNG per year. And unless we forget, it was Alaska, who, in 1969, put the first shipment of LNG in Japan.

Now, allow me to talk briefly about energy and the environment

The controversy surrounding energy has to be seen in the context of world concern about the environment.

We've all heard that pollution is tarnishing the great civilizations of modern man. It is threatening to damage the life support system on which humans and all animals depend.

This is central to the energy question because the greatest amount of pollution comes from the production and use of energy.

People say the energy industry is 'Public Enemy No. 1,' but I say it is the great hope of mankind, and the hope of the environment.

Show me any area in the world where there is a shortage of energy, and I'll show you basic poverty.

There's no shortcut to human activity. It all takes energy. If you want to go to town from the countryside, there's no way to do it without using energy; even if you walk.

To achieve a standard of living as the Swiss enjoy in this great city of Montreux requires the equivalent energy output of 200 adult slaves per person.

In many respects we are still only one step from slavery.

But harnessing energy has helped us take that step away from the slavery of hunger, lack of shelter, disease and ignorance. It is a step toward freedom in its most basic sense.

It would be a tragedy if our concern about pollution turned us against this great emancipator called energy which is freeing and improving the lot of mankind.

With the awakening of environmental concern, a concern I share, certain people want to drive a Cadillac but not produce energy. These people, in nations such as my own, want to export pollution. They want other nations to do the drilling, pumping, refining and transporting of oil so that their own water and land be untouched by man.

This is no answer. In fact it is a new form of imperialism under the guise of the holy cause of the environment. In reality they are saying, 'Let other people's children choke on smog and play in polluted streams. Let other nations' wildlife be destroyed. But we must protect our own.'

This philosophy, however misguided, is gaining strength.

This is the worst kind of conservation. We are one world with one system. Ecologically, it is impossible to export pollution. We must clean it up.

We are not going to solve the problems of the world with less energy. I don't mean wasting it on senseless gadgets, but utilizing it to free mankind and clean up the environment.

With the leadership of the United Nations and strong government regulations this can be done. Energy doesn't have to disrupt. The answer lies in national and international guidelines for the use of energy without the abuse of the environment.

Oil companies are resented because of their economic power and their seeming disregard in the past for nature but this hatefulness is now coming to haunt us. To punish is not the answer.

In our short history, America has many examples that hate is no answer to greed. At the turn of the century there was a public reaction against the men who had built America's railroads.

These so-called 'Robber Barons' - Rockefeller, Morgan and Vanderbilt - became the object of public hatred.

Laws were passed designed to destroy these men, but in reality all they destroyed was the magnificent railroad system which had crisscrossed and united our untamed country.

If today we treat the worldwide energy industry like we did the U.S. railroads, we'll have a lost civilization.

In reality, there is no world energy crisis. The voices of doomsday are not real. The earth will not run out of resources. The only thing we might run out of is imagination.

Computer reports come out daily, which forecast doom for the human race.

The weakness of a computer is that it can only compute on the basis of what is known. This is a shaky way to predict the future.

What if we had used a computer 200 years ago to forecast energy resources for 1990? At that time man depended on firewood, horses, water and wind. The conclusions would have been more disastrous than forecasts we see today. We would have forecast doom and starvation because there are not enough forests and workhorses on earth to care for the needs of our growing population.

Computers have their place, but I have more faith in the creative capacity of man; and that is incompatible.

Today we have fossil fuels and hydroelectric power. Tomorrow we shall use geothermal resources by tapping the heat deep beneath the crust of the earth.

We shall develop the art of gasification and liquefaction of the soft coals we have abandoned in the past. This will become a mammoth source of nearly pure power.

I see this liquefied gas as the answer to automobile pollution. By replacing the gasoline tank in your car with a propane-like bottle we can solve the majority of the world's man-made air pollution. The technology is there. All we need is to apply the new methods.

Also awaiting us is the heat of the sun, and the tremendous energy of the hydrogen bomb. With fusion we can produce a pure energy which regenerates itself.

And consider space, where entire planets consist of frozen methane. I serve on NASA's Advisory Council for Exploration. We will develop space.

No, there is no world energy crisis. The crisis that exists is one of control. Fossil fuels are the major source of power now and will be for the remainder of this century. The nations which control petroleum will have great political and economic power in the decades immediately ahead.

Whether we have peace or war may well depend on how this new balance of power will be used. The Middle East nations, with their vast reserves, are being swept into the mainstream. Likewise, the Arctic will have an ever-increasing role in world affairs.

The ten million square miles on top of the earth contain a staggering wealth of fossil fuels left over from an earlier age when much of it was covered by tropical jungle.

Canada, Alaska, the Scandinavian countries, and especially the Soviet Union and its mighty Siberia will all share in the new Arctic Age which is ahead of us.

There is no fear in the quantity of reserves waiting for mankind. The only concern is in the control of those resources. Will they be distributed to meet the needs of all men everywhere or will they be hoarded for the benefit of a small elite?

The 21st century, the world of tomorrow, will be a world of unlimited energy. With the new sources I have mentioned, every nation will have its own supply. Gone will be the tools for energy blackmail.

I sometimes think that this era, is slow in coming only because the decision-makers are fearful of upsetting the total economic situation as we know it today. They are locked into the past.

There is an unusual tie-in between energy and life, energy and poverty, energy and peace. People equate the using of nature with the destruction of the environment, when in reality man cannot exist without using nature.

The secret for man's life on earth, In fact for all life on earth, is for man to be compatible with nature. We must not abuse it, but we must use it.

For example, God put a tree on earth to be used, not just to be cut down, but to be used; perhaps for birds to nest in or simply to be looked at for mere enjoyment to restore the spirit and perspective of man.

If a tree grows somewhere unused by man or animal it is somehow wasted. Like a human being, someone must need it. But likewise, like a human being, it should not be exploited. Man, being the only reasoning animal, has to be the one concerned about other life on earth.

There's a struggle going on in my country. I call it the civil war of priorities-neighbor against neighbor, man against need-over preservation or use of our resources.

Bitter voices have been raised, on the one side pleading, 'Give us work, give us energy for our homes;' on the other side shouting, "Stop the rape of our environment, protect our wildlife and our wilderness."

This same battle is going on between the rich and the poor throughout the world. Somewhere in between there's a still, small voice that says, 'if we work together we can do it right.'

We cannot condone exploitation of one resource at the expense of another resource, even if that resource has no dollar value, such as a sunset, a lonely stretch of beach, or the right to roam.

But neither can we preserve untouched all those resources that man needs. All human needs must be taken into consideration, those of everyday necessity such as food and energy, or those of lasting beauty, such as a wilderness. In evaluating the total situation, I am convinced we can make use and conservation compatible. For the good of the human, they must be made compatible.

I have no time for those who say they are dedicated to the environment but disregard the needs of people. The question is not what kind of a world do we want for elephants, or reindeer, or pandas, or Sequoias, or tundra, but what kind of a world do we want for our children.

Dr. Paul Brandwein put it well: A world which does not conserve its children, does not conserve its elephants. It does not conserve its environment or its resources or its knowledge or its values. It is neither competent nor compassionate. Its ends are neither human nor humane.

Do not narrow your thinking to those who promote a negative philosophy of doom. Those who want to turn off the lights of the world are not the true friends of the world or the future.

The human family is being drawn together by the environmental challenge, and this is a great and important event in world history.

My hope of the future is to concentrate on solutions, answers, and imaginative approaches to the problems at hand rather than repeating the already shop-worn clichés of the doomsday philosophers.

I am fed up with those who profit in terms of fame and fortune by being negative. This is not doomsday, it is opportunity-day. We can look in a mirror and see if our face is dirty. If it's dirty, then let's wash it. Not talk about it.

The challenge of the moment is for both the developed and the developing nations to share our common needs and our common opportunities. Then we can usher in a millennium of peace which could be only one or two generations away. . . .

In closing, again I'd like to thank all of you for inviting me here, and for listening to this speech.

You might be interested to know that I've given this same speech before. It was 17 years ago, 60 miles from here. The date was April 18,1973. The place..... was Geneva, Switzerland.

Thank you.

###

Remarks by Walter J. Hickel  
American Society of Civil Engineers  
Tuesday, May 8, 1990  
Northern Lights Inn, Anchorage

-----  
Good afternoon ladies and gentlemen.

Many times, especially when the subject is energy development, you hear that the Arctic is fragile and delicate.

It is. But it is also harsh and forbidding and challenging. The environment isn't just green, it is real.

As someone who considers himself a practical environmentalist, one who supports leaving the planet a better place while producing more energy, I don't shy away from that debate. I welcome it.

There is no environmentalism without production. Production of energy has freed us from slavery. Freed us to think about the environment.

Let's talk about one of the biggest transportation projects on Alaska's plate right now. TAGS.

Nine years ago we began an effort to pipe the gas to tidewater and put it on a ship to world markets.

If I had known it would take nine years to get to where we are today, I'm not sure would have started. But to get anything done in Alaska you need the impatience to want something yesterday and the stamina to wait for tomorrow.

The Trans Alaska Gas System could convert Alaska's huge natural gas resource to \$80 billion dollars.

It could decrease the world's pollution problems.

It could provide thousands of jobs and over \$400 million a year to the state treasury.

Once completed, it will provide 550 permanent jobs.

What has happened in nine years is a dedicated group of Alaskans and others have quietly accomplished an environmental impact statement for an all-Alaska pipeline, have received federal and state permits, have received an export permit and a letter of intent with Korea for two million tons of LNG. We are concentrating now on Japan and Taiwan.

If we are successful in securing market need commitment for 7 to 8 million tons per year and growing to 14 million metric tons within five years, construction will begin in 1992.

Let me speak briefly about the LNG market conditions developing in Asia by the year 2000. In short, the present contract commitments in the three countries today total 37 million metric tons per year.

Demand is rising because of major public sentiment against siting new nuclear power plants in these countries. As well, air pollution in the three countries is a major issue and the public is demanding cleaner air.

By the year 2000 the aggregate demand is expected to grow by an additional 25-30 million metric tons per year.

Clearly there is room for the 14 million ton TAGS project. In fact, this rapidly growing market needs a project like TAGS.

The TAGS project offers something else to Asian markets too. It offers an opportunity to diversify the source of this important fuel. They are almost totally dependent today on one geographical area for their gas supply.

The present suppliers from Indonesia, Malaysia, Brunei and Australia will fill the increased LNG demand prior to the time that Yukon Pacific goes into operation in 1996. We foresee ample markets for LNG manufactured from North Slope natural gas commencing in 1996 and beyond in the Asian Pacific Rim.

If we're to make a mid-nineteen-nineties market, we'll need to be digging ditches, by about 1993. We believe we're still on target.

Many people have asked what the effect of the Prince William Sound oil spill has been on this project. It brings me to one of my themes today -that the new world scale push to clean up the environment is good for Alaska.

First, for the record, natural gas is far safer to transport in tankers than crude oil. And if there is - God forbid -- an accident, the effects of a rupture of a tanker lasts hours, not years as we all know oil can.

LNG spread upon the water will evaporate. If it burns, it burns clean and nonexplosively. And then it's gone.

But it is the fact that natural gas burns clean to begin with that is making it a fuel with such increasing demand today.

All over the **world**, concern is rising about depletion of the ozone layer, acid rain, and warming of the earth's atmosphere called the Greenhouse Effect.

When the leaders of the free world last met, it was called the "Green Summit." Originally called to discuss economics, its most significant accomplishment was discussion of the environment.

On the world's menu of fuels, natural gas is flexible. It can be used directly in homes and industry, and it can be used to generate electricity. Increasingly, it is being used for

transportation -- in cars, trucks, trains. Here and in the Soviet Union, research is underway to use natural gas in the next generation of airplanes.

Environmentalism doing marketing for us.

And in the Pacific -- Alaska's natural market for this resource -- demand is growing accordingly.

Liquefied natural gas from Alaska was introduced to Japan 20 years ago. At that time we had 100 percent of the market. We've been shipping two tankerloads a month from Kenai since that time. But because we haven't pursued this market, Alaska's share, America's share, has dropped to less than five percent of what's used over there.

We have all heard that the American worker doesn't know how to produce, management doesn't know how to manage. We no longer are the leaders in technology, I disagree with all that. The problem is America doesn't know how to sell, because she was so rich she didn't have to.

It's time the Yankee trader started trading again.

Korea and Taiwan are just beginning to use natural gas. As the standard of living rises, everyone wants to get rid of the dust and the smog.

Environmentalism is doing our marketing for us.

People can see the benefits of natural gas with cleaner air. I was in Seoul for the end of the Olympics and that week the only power generated came from LNG or nuclear.

The difference was remarkable. But you can't shut your factories down every day, so that's what's creating the market in Korea for natural gas. Scientists concerned about the Greenhouse Effect know that burning natural gas lets loose far less methane or carbon dioxide into the atmosphere than any other fuel.

Cinders and particulates don't move up the smokestack either. And when the burning is done, there's no solid waste to haul away.

For the State of Alaska, natural gas is part of the solution too -- at least as far as economics is concerned.

Oil began flowing through the pipeline twelve years ago. And already there is a decline in production.

At full capacity production of a natural gas pipeline, it would be forty years before the first field would start to tail out. And more than likely, there's more than a hundred year supply.

But what I wanted to say here, and I want us all to remember, is that there's no end to pioneering; no end to frontiers. We've got big problems in the world, and big opportunities.

Don't believe in what you see, but see what you believe.  
Remove the perceptions of impossibility.

I

Many people will tell you that what you see is too big, too so-on, too unattainable.

Frontiers start in the mind, and there are millions of them -- scientific, geographic, cultural -- that remain to be crossed. Let's cross them.

In just the last generation we've built worldwide alliances in defense, commerce and macro-economic affairs that need to expand to include cooperation on the big ideas that will raise living standards for the .entire world.

The world does not need war. What the world needs is big projects. This kind of cooperation between nations can replace war and enhance security, take us from managing money to creating new wealth, from a world of hunger to a world of hope.

Thank you very much.  
Who has the first question?

###

**Anchorage Daily News, Sunday, March 2, 1997**

### **Alaska must make its gas competitive**

In the long saga of trying to bring North Slope gas to market, Alaska is learning tough lessons as an owner state.

We trust the exploration and development of our resources to private firms, as well we should. At the same time, we're learning to be sure those producers' interests elsewhere don't conflict with Alaska's interests.

This lesson comes because our leaseholders at Prudhoe Bay - Arco, Exxon and BP - are also our competitors in the Asian market.

In recent hearings held by Rep. Ramona Barnes, Exxon's Alaska gas manager, Beverly Mentzer, acknowledged her firm's outside interests. Her testimony was telling: Exxon will bring the most profitable gas project to market, she said. "It is up to us to make (Alaska's) the best project."

Besides North Slope gas, Exxon-owns gas at Natuna in Indonesia, Russia's Sakhalin Island and -Yemen. Arco's interests in the South China Sea were joined by a recent

discovery in Irian Jaya, Indonesia. British Petroleum has gas in Papua New Guinea and Australia.

Alaska, in the meantime, has interests just in Alaska. We make money only when our partners produce. If Exxon thinks a project it owns elsewhere is more profitable to it, Alaska could be left in the cold.

Our first approach, as the Exxon representative suggested, is to make sure we're competitive. For a gas project, we can cut the property tax during construction. We can try to offer a tax treaty of sorts, perhaps through the terms of a royalty gas contract, that assures tax stability. These and like issues are discussed in the agreements pending between the producers, Yukon Pacific and the state of Alaska.

The state and federal governments can resolve costly environmental issues for the proposed pipeline and LNG terminal early, as they have with Yukon Pacific, the gas transportation company, through permits.

Further, the state - and the federal government - can help bring the markets together. Since the Trans-Alaska Gas System was first proposed to bring North Slope gas to market in 1983, the idea has won wide endorsement from Presidents Reagan, Bush and Clinton, as well as all of Alaska's governors, from Jay Hammond to Tony Knowles.

Alaskans need to remember the battles we had just to get permission to export gas. Gov. Bill Egan and I led the first effort in the early 1980s to get this project recognized in the national interest of the United States, Japan, Korea, Taiwan.

Barely a summit has gone by in the last 15 years between an American president and a Japanese or Korean leader where the American side hasn't pressed for the project. And the Asian response, over the years, has been more and more favorable. But the finish line - the time we would get a pipeline started - still keeps moving back.

Gov. Knowles has pushed in the last year to have the three North Slope producers and Yukon Pacific work together. We're hopeful these efforts will produce real progress. But if they don't, it may be time for the state and the producers to remove any appearance of conflict of interest entirely. The state has the power, when a producer is withholding production on state land, to take the resource back. Such a drastic step should never be necessary.

Instead, the North Slope producers and the State of Alaska could commit the gas to a marketing pool that is independent from the conflicts faced by the owners of the gas. Federal law will even grant this pool and antitrust shield.

Yukon Pacific should be involved. While I no longer own an interest in the company, it has developed an expertise and a track record that can serve Alaska well in the marketplace. Like Alyeska Pipeline Service Co., it was set up to serve as a project

organization, and participation by the buyers and sellers of the gas has been welcomed from the start.

A marketing pool could address the market with one voice - not arguing among soothsayers as to when a project might happen, but dedicated together to the proposition of making it happen, as soon as possible.

Whatever the answer, we must not let the mysteries of the foreign market and big project economics pull the wool over our eyes. Big projects start with a decision. And to date, the most simple decision - the decision that the gas is for sale, as soon as we can get it to market, through an organized body that speaks with a single voice -- is yet to be made.

**Wally Hickel is a former governor of Alaska and a former Secretary of the Interior. He was chairman of the Governor's Economic Committee on North Slope Natural Gas in 1982-83 and co-founder of Yukon Pacific. In 1992, he gave his shares of Yukon Pacific to a charitable trust.**

###



