

**Dept. of Energy Briefing Book, [6/14/80]**

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: Dept. of Energy Briefing Book, [6/14/80]; Container 166

To See Complete Finding Aid:

[http://www.jimmycarterlibrary.gov/library/findingaids/Staff\\_Secretary.pdf](http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf)

**WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)**

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att	<p>Charles Duncan to the President.                      Re: Steps needed for Canadian approval to prebuild Alaska Natural Gas Transportation System. (34 pp.)</p> <p><i>4 pp. declassified per RAC NHC-126-21-47-1-7 1/9/14</i></p>	6/14/80	A

**FILE LOCATION** Carter Presidential Papers- Staff Offices, Office of Staff Sec.- Pres. Handwriting File, "Department of Energy Briefing Book [6/14/80]." Box 191

**RESTRICTION CODES**

(A) Closed by Executive Order 12356 governing access to national security information.  
 (B) Closed by statute or by the agency which originated the document.  
 (C) Closed in accordance with restrictions contained in the donor's deed of gift.



~~CONFIDENTIAL~~

THE SECRETARY OF ENERGY  
WASHINGTON, D.C. 20585

JUN 4 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Duncan

SUBJECT: Alaska Natural Gas Transportation System --  
Steps Needed for Canadian Approval of Prebuild

Prebuild Description

The Canadian Cabinet will meet Tuesday to consider whether to approve the prebuild portion of the Alaska Natural Gas Transportation System (ANGTS). This prebuild portion of the ANGTS will carry over one billion cubic feet per day of Canadian gas to U.S. markets from 1981 until 1985. In late 1985, it will become part of the complete ANGTS carrying over 400,000 b/d oil equivalent of Alaskan and Canadian gas to the lower 48 states.

Prebuild is critical to completing the entire ANGTS. It will spread the system's huge demand for capital, labor and material over several years, thereby facilitating private financing of the entire system. If prebuild does not go forward, momentum for the project will be lost and important private and public entities in both the United States and Canada probably will reconsider their commitments. Substantial delays also could result. In the winter of 1981-82, prebuild can begin supplying the U.S. with over one billion cubic feet per day of Canadian gas, displacing substantial oil use during the next five years before Alaskan gas is available.

In order to authorize prebuild, the Canadian Government has asked us for assurances that the entire system will be completed within a reasonable time. Their law currently requires that no pipeline construction begin in Canada until financing is secured for the whole line. They are willing to change this law to a finding by the government that the rest of the line can be built if we will provide them with the appropriate assurances. The prebuild, standing alone without the rest of the ANGTS, would be a permanent major new Canadian gas export facility -- a prospect that the Canadians find politically unacceptable.

NATIONAL SECURITY  
INFORMATION

DECLASSIFIED  
Per. Rac Project  
ESDN: NLC-126-21-47-1-7  
BY KS NARA DATE 12/23/13

Classified by I. Goldsman  
(Original Authority)  
 DECLASSIFY  
or  
 REVIEW  
on: 6/14/86  
(Date of event)

U.S. Assurances

The Department of Energy has taken steps to provide the necessary assurances. First, the Alaskan segment Sponsors and North Slope Producers have drawn up a cooperative design agreement under which they will jointly fund and manage the design, engineering and cost estimation for the Alaskan segment. Second, the Sponsors and Producers have agreed in a Statement of Intention to develop a financing plan. The Producers and Sponsors will sign both documents in the next several days. Third, the Federal Energy Regulatory Commission will have given final approval to both the eastern and western Legs of the prebuild in the U.S.

Fourth, we have drafted a proposed letter from you to Prime Minister Trudeau. This letter, which the Canadians consider a critical part of the package of assurances, reiterates the Administration's commitment to completion of the entire ANGTS. It also states your intent to satisfy the Canadians with respect to a tariff issue of particular concern to them.

The Canadians are concerned that, if the Canadian sponsor begins construction of the non-prebuild portion of the Canadian segment at the same time the U.S. begins construction on the Alaska segment, and the sponsor finishes on schedule but the U.S. segments are not completed, the Canadian sponsor will be subject to substantial losses while it awaits completion of the U.S. portion of the project. Moreover, this prospect makes private financing for the non-prebuild portions of the Canadian segment difficult. Therefore, the Canadians have requested, as a condition of authorizing prebuild before the U.S. has made a firm commitment to proceed, that you state the Administration's intent to seek changes to laws that prohibit tariff payments from U.S. consumers to the Canadian sponsor upon completion of the Canadian segment of the ANGTS.

We believe that the Canadians' requested change is reasonable. The section of the pipeline in question -- the non-prebuild portions of the Canadian project -- will carry U.S. Alaskan gas through Canada to U.S. consumers. If, relying

on our commitment to construct the Alaska segment, Canada completes its section and we do not, Canada does not want to be left with the costs of a line designed to carry U.S. gas which is of no use to Canada. Congressional action in this regard would only remove any impediments that would preclude FERC action, but would not initiate the action itself. It still would remain for the FERC to approve any tariff as would be required to permit the passthrough of such charges to U.S. ratepayers.

A final possible piece of the package of assurances is statements of support from Congressional leaders. We are working with Senators Jackson and Stevens and Congressmen Dingell and Brown in preparing such statements. The statements would include general affirmations of support for the project and perhaps some assertion of willingness to consider the tariff change when it is presented.

The Canadian Government has reviewed this package at the highest levels and has given informal, preliminary indications that they believe the package is sufficient for Canada to authorize the prebuild. They understand that there is no commitment on your part to proceed with this approach unless it secures their commitment to proceed with the prebuild.

#### Post-Approval Announcement

If the Canadians authorize prebuild, we have discussed the possibility of a White House ceremony sometime after your return from the Summit, at which you would make public the signing of the Producer-Sponsor agreements and your letter to the Prime Minister while Canadian officials would announce their approval of the prebuild. Representatives of the Alaskan Sponsors, the North Slope Producers and the State of Alaska as well as members of the financial community also could attend.

As an alternative, we have also discussed the possibility of you and Prime Minister Trudeau making some kind of announcement at the Summit concurrent with a signing of the appropriate documents in the U.S. The Canadians are exploring the feasibility of completing their regulatory action in this timeframe, assuming a positive decision on Tuesday.

~~CONFIDENTIAL~~

4

Conclusion

For purposes of official consideration at the Canadian Cabinet meeting next Tuesday, I would like to indicate to the Canadians that in principle you agree with the U.S. approach described here on the condition that it will in turn secure their authorization of the prebuild.

cc: Vice President Mondale  
Stu Eizenstat

~~CONFIDENTIAL~~