

Energy Insider by William Engdahl

Congress legalizes energy disaster

Some little-known facts about Robert O. Anderson's "free-enterprise" Alaska gas scam.

Robert O. Anderson, that well-known operator who heads the Atlantic Richfield Oil Company, has just succeeded in pulling off a massive legal swindle for financing the largest private construction project in history. Unfortunately, he managed to pull the President and an unthinking Congress into going along with a special "waiver" package, the likes of which have never been seen. The package was sold to Republicans with the argument that it involved no government subsidies—but it will end up costing the nation a bundle. I am referring to construction of the estimated \$43 billion Alaska Natural Gas Transportation System.

This summer, I warned of the stench of corruption which surrounded the pet project of Anderson, Robert Strauss, and John McMillian, a major Democratic Party money conduit and former DNC Finance Chairman (*EIR*, June 30).

Jimmy Carter's administration, with Canadian government approval, secured passage in 1977 of legislation to authorize construction of a 4,800-mile gas pipeline to bring the equivalent of some 400,000 barrels of oil equivalent per day down alongside the Alaska Highway through Canada, forking at Calgary into a "wishbone," with one fork going to California and the other into Illinois. The gas would come from the huge Prudhoe Bay reserves of Aspen Institute's R.

O. Anderson (Arco), Exxon and British Petroleum.

Far from a plan to bring more energy into the industrial areas of the country, this scheme is part of the energy component of Cyrus Vance's and Al Haig's Global 2000 depopulation blueprints.

This is what Congress approved:

Gas consumers, industrial, agricultural, and residential, comprising an estimated 60 percent of the nation's gas customers, will be "pre-billed" for costs of construction effective as of an agreed date, regardless of whether the entire project is ever completed. Theoretically, this means that Chase Manhattan, Bank of America, and the private banking consortium which is considering financing this colossal operation could be guaranteed the full estimated \$43 billion without a molecule of fuel being delivered.

In addition, passing on the cost of an estimated \$4-6 billion gas conditioning plant and provisions for the gas producers to become equity owners of the transport pipeline are already in place. The latter was cited as a clear anti-trust problem in an earlier government memo. It now gives this nest around McMillian, Strauss, Anderson, and Exxon, the power to restrict supply and drive up the price for potentially 10 percent of the nation's gas supply.

This is a clever economic war-

fare operation. One congressional critic, who asked to not be named, told me that conceivably, major users such as industry and cities could be lured into long-term contracts to secure supplies and end up paying what one congressional study projects in 1987 could be \$18-20 per thousand cubic feet (today's average price is about \$2 per mcf)!

In the current economic collapse, this will force competing pipeline systems in the lower 48 states to fold and users to be locked into Anderson's high prices, although far cheaper gas is supposed to be available when the 1985 features of the Natural Gas Policy Act of 1978 take effect.

Because the Alaska consortium is permitted to make "take-or-pay" contracts (in which the customer pays for the product whether or not it is used) in return for long-term supply, often 20 years, this will ensure that gas decontrol will mean a legalized 1,000 percent increase in vital energy costs to energy-intensive industrial and agricultural regions.

The congressional waivers almost eliminate risk for the private banks who had so far refused to finance the project, because of the likelihood that far cheaper domestic gas would be available. Speaking of finance, one top Bank of America official predicted that "the debt requirements of this project are likely to test the limits of the world capital markets."

The Reagan administration would do well to re-examine this whole can of worms and reflect on what a \$43 billion investment in nuclear complexes and major irrigation projects for the Rocky Mountain spine could do to feed the world.