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Governments are now demanding a larger share of profits

By Leah Bower, Special to Gulf News
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You can't go to any part of the world anymore without stumbling over a proposed natural gas pipeline project.

The same is true in Alaska, which already boasts a massive oil pipeline. But unlike most regions, Alaska's leadership seems to be dead-set on finding new and elaborate hoops to make energy companies jump through. So why does this matter to people halfway around the world?

Because Alaska flexing its muscle at oil companies is no different from Russia or Venezuela doing the same thing. Governments on all levels are increasingly looking to keep more oil revenue at home, especially now that oil companies are pulling in huge profits.

As oil prices soar, and new reserves become harder and harder to find, governments feel that they have more power to control how much money stays home. "We've got to play hardball," Palin told Bloomberg. "The time is right to develop these resources because of the price of fuel."

The oil majors aren't liking this one bit. Alaska's homegrown governor Sarah Palin - who is a Republican, but seems to have missed out of US President Bush's pro-oil bandwagon - has spent the time since she took office in December 2006 routinely pissing off the oil companies operating in the largest state in the union.

Palin has already raised taxes on oil profits by \$1.5 billion a year in Alaska, which boasts the second-largest reserves in the US. "Today, by our calculations, Prudhoe Bay has the highest production tax in the world," said BP Exploration (Alaska) president Doug Suttles, according to the International Herald Tribune.

But two Alaska legislators have been recently been convicted, and a third has been charged, in connection with an investigation into corruption that included reworking the state's petroleum tax structure under the previous administration to be more favourable to oil companies. Even the chief of staff for former Governor Frank Murkowski, whose administration agreed to the tax structure Palin has since dismantled, has pleaded guilty to conspiracy in his dealings with a now-defunct pipeline service company, Veco Corporation.

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And according to the two main newspapers in Alaska, the investigation continues. Palin is also pushing for settlement in the long-running Exxon-Valdez oil spill lawsuit, telling the Washington Post that "When I got in here, that was one of the first orders of business: to find out how in the world can this administration speak on behalf of all Alaskans who have been so adversely affected by this spill."

After 14 years of back-and-forth appeal, Alaskans are still awaiting judgment on the \$2.5 billion award, which with interest may have grown to around \$4.8 billion. Now, Palin wants firm control of a proposed natural gas pipeline that would bring Alaskan gas to the lower 48 states.

The North Slope contains 35 trillion cubic feet of natural gas, but lack of transport has prevented development of the fields. A pipeline would boost Alaska's petroleum revenue as the amount of Slope oil flowing through the existing pipeline declines.

The oil majors declined to submit proposals to build a pipeline, citing concerns about the state's requirements, and only one Canadian company submitted a qualified bid. Now the majors are balking at supplying natural gas if and when the pipeline deal is accepted. Palin threatened to revoke leases for oil fields if BP, Exxon and ConocoPhillips refuse to participate.

As governments demand a larger share of the profits from the resources being pulled out of their land, the oil majors are going to find it harder to pull in the profits they are used to. And with prices high for all petroleum products, governments have good reason to stick to their guns.

- *The writer is a freelance journalist based in Alaska, USA.*

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