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DEAR CONGRESSMAN:

The President has recently received a number of letters concerning the proposed Trans-Alaska pipeline. He has asked me to share with you our view of some of the issues raised.

Now that the Supreme Court has declined to review the Court of Appeals decision in the Alaska Pipeline case, Congress must enact new right-of-way legislation before I can authorize construction of any major pipeline across the public lands. Prompt adoption of such legislation is required by our overall national interest. It is also in our national interest that the Alaska pipeline be built as soon as possible and that the Congress not force a delay of this project while further consideration is given to a pipeline through Canada.

The United States is faced with a serious imbalance between domestic energy sup-ply and demand. Almost every region of our country and every sector of our economy is affected. Last year we imported 1.7 billion barrels of foreign oil at a cost in first-round balance of payments outflows of approximately $6 billion. The President will, in the near future, address a special message to the Congress on the entire question of national energy policy.

Despite all the efforts we can and must make to increase our domestic resource base, by 1980 we will probably have to import about 4 billion barrels of oil with first-round balance of payments outflows of about $16.0 billion, in the absence of oil from the North Slope of Alaska. The Alaska pipeline will not avoid the necessity to purchase foreign oil, but it will reduce the amount we have to buy.

In the past few months, we have witnessed difficulties occasioned by too, large unfavorable balance of payments and too large an accumulation of dollars abroad. Because we must purchase abroad every bar-rel of oil that we do not get from the North Slope, for the next 10-20 years at least, I am fully convinced that it is in our national interest to get as much Alaska oil as possible delivered to the U.S. market as soon as possible. I am equally convinced that prompt construction of a Trans-Alaskan pipeline is the best available way to accomplish both of these objectives.

Several of the letters we have received advocate that we abandon the Trans Alaska route in favor of a pipeline through Canada or at least delay the Alaska pipeline until we can conduct further environmental studies of a Canadian route and initiate intensive negotiations with the Canadian government. In support of this position, it is argued that a Trans-Canadian pipeline would be both environmentally and economically superior to a Trans-Alaska route, and that in view of the recent decision in the pipeline case, it is now quite likely that a pipeline could be built more quickly through Canada than through Alaska.

Let me explain why I disagree with these points.

First, a Canadian route would not be superior from an environmental point of view. No Canadian route has been specified. But the environmental impact statement prepared in connection with the Alaska

route considered various possible Canadian routes, and from the information available it is possible to make a judgment about the relative environmental merits of the various Canadian routes and the proposed Alaska route. The Alaska and Canada routes are equal in terms of their effect on land based wildlife and on surface and ground water. However, it is clear that any pipeline through Canada would involve more unavoidable environmental damage than the Alaska route. Because the Canadian route is about 4 times as long, it would affect more wilderness, disrupt more wildlife habitat, cross almost twice as much permafrost, and necessitate use of three or four times as much gravel that has to be dug from the earth; and it would obviously use about four times as much land.

The potential environmental damage of these alternatives is more difficult to assess. The two routes are approximately equivalent with respect to risks from slope failure and permafrost. A Canadian route would not cross as much seismically active terrain or require a marine leg. It would, however, involve many more crossings of large rivers, which, experience proves, are a major source of pipeline damage and, thus, environmental damage. River crossings present difficult construction problems; and the main hazard during operation comes from floods which scour out the river bed and bank, and if large enough, may expose the pipe to buffeting from boulders and swift currents and, thence, rupture. It is generally the rule that the wider the river, the greater the risks.

The environmental risks involved in the Alaska route are insurmountable. They be guarded against. The environmental and technical stipulations that I attach to the Alaska pipeline permit will assure that this pipeline is designed to withstand the largest earthquake that has ever been experienced in Alaska; it will be designed and constructed more carefully than many buildings in known earthquake zones, such as Los Angeles and San Francisco. Moreover, we are insisting that operation of the maritime leg be safer than any other maritime oil transport system now in operation. If our West Coast markets don't receive their oil from Alaska in U.S. tankers that comply with the requirements we are imposing, their oil will probably be imported in foreign flag tankers that are built and operated to much lower standards.

It is important to recognize that while we can go far to study and control the environmental risks that are involved in an American-owned transportation system on American soil, we have no jurisdiction to take comparable actions on Canadian soil. I cannot, as requested in some of the letters, "immediately begin comprehensive environmental studies of a Canadian pipeline route" because such an action would encroach on foreign sovereignty. I cannot order the more than 3,000 core samples in Canada of the type that were made of the Alaska route. I cannot even order a simple survey.

Our environmental impact study was based on the best information available about Canada. I believe it would be contrary to our national interests to delay this matter further by seeking additional detailed information about a route that has not been requested or designated by any of the companies or governments involved.

Second, it is clear that from the viewpoint of our national interest, as distinguished from the interest of any single region, the Trans Alaskan route is economically preferable. The United States Government has had a number of discussions with responsible Canadian officials about a possible pipeline through Canada. Some of these discussions w e r e through the State Department, and one year ago I personally met with Mr. Donald MacDonald, the Canadian Minister of Mines, Energy and Resources. Responsible Canadian officials, at these meetings and in subsequent policy statements, have made it clear that there are certain conditions that the government of Canada would impose on any pipeline through Canada. These are:

(1) a majority of the equity interest in the line would have to be Canadian (in this connection, ownership by a Canadian subsidiary of an American company would not qualify as Canadian ownership); (2) the management would have to be Canadian; (3) a major portion (at least 50 %) of the capacity of the line would have to be reserved for the transportation of Canadian-owned oil, with the primary objective being to carry Canadian oil to Canadian-not United States-markets; and (4) at all times preference would be given to Canadian-owned and controlled groups during the construction of the project and in supplying materials. Since our meetings with the Canadians, these four requirements have been reiterated by them many times in public statements, and we have never had any indication that their insistence on them has lessened. In fact, recent pronouncements from Canada suggest these four elements are more important than ever to the Canadian Government. The .question, then, is not simply whether Canada is willing to have a pipeline built through its territory (although no Canadian official has ever said it is willing), but also whether the four requirements Canada would impose are acceptable in light of the United States national interest.

These four requirements are probably reasonable from the point of view of Canada's national interests. They are unacceptable from the point of view of our national interests when we have the alternative of a pipeline through Alaska that will be built by American labor and will deliver its full capacity of American-owned oil to our markets. The Alaska route would be economically superior from our point of view even if we could be assured of getting for our market all the Canadian oil a Trans- Canada pipeline would carry, because of the balance of payments costs we would incur by importing additional foreign-owned oil. There is a prospect of even worse consequences from a Canadian pipeline. Recent estimates by the Canadian Energy Board show that Canada's demand for oil from her western provinces will soon equal or exceed production; and, unless major new sources are discovered, the eventual result will be the cessation of Canadian exports of oil to the United States. The seriousness of this developing situation was demonstrated just last month, when Canada imposed controls on the export of crude oil.

Third, even though the recent Court of Appeals decision has caused delay and the Supreme Court has refused to review the case, it is clear that a Trans-Alaska pipeline can be built much more quickly than a Trans Canadian line. The companies who own the North Slope oil have not indicated a desire to build through Canada. Before an- application for a Canadian route could be approved, a number of time-consuming steps would be necessary that have already been accomplished for the Alaskan route : detailed environmental and engineering investigations, including thousands of core holes, would be required prior to design ; a complex, specific project description would have to be developed; following that, another U.S. environmental impact statement would have to be prepared for the portion (at least 200 miles) of the line in Alaska and its extensions in the "lower 48" states; permits from the provincial and National Energy Boards of Canada would have to be requested, reviewed, and approved; and Canadian native claims would probably have to be resolved, a process that took years in the United States. Moreover, specific arrangements between the U.S. and Canadian governments would be necessary to protect U. S. national interests and provide an operating regime for this international pipeline. Finally, the task of arranging the financing of a Trans-Canada line would be extremely difficult. The capital required to meet the condition of majority Canadian equity ownership would strain Canadian financial sources and finalization of new financial arrangements could take years to complete. Whether all these steps are even possible, however, must be viewed in the context of the political and environmental controversy in Canada about the wisdom and feasibility of a Canada pipeline and the recently repeated position of the Canadian Government that it has "no commitment to a northern pipeline at this stage."

In contrast, the only two remaining steps required to commence construction of the Trans-Alaskan route

are for the Congress to grant me authority to issue permits necessary for a pipeline of this size and for the Courts to determine that the environmental impact statement complied with the requirements of the National Environmental Policy Act. Both steps are also required for a pipeline in Canada, because the recent Court of Appeals decision applies to the U.S. portion of any line through Canada.

I sincerely hope that a great deal of oil is discovered in Northern Canada and that these finds together with increased reserves of Alaskan oil soon justify a second pipeline, or other delivery systems, to bring oil, natural gas or both through Canada to our Midwest. It is in our interest to increase our secure sources of foreign oil as well as to increase our domestic resource base. However, for all the reasons listed above, I do not believe it is in our interest to delay the Trans-Alaska pipeline any longer than required by the Court of Appeals decision and I do not believe it is now in our interest to request negotiations with the Canadian government for a pipeline route through their country.

By stressing so strongly my belief that a Trans Alaska pipeline is in our national interest, I do mean to imply that we are insensitive to the energy requirements of the Midwest. The Administration has taken, and will continue to take, such steps as are necessary to assure that these requirements are met; just last week, for example, oil import restrictions were lifted to bring additional oil to the. Midwest.

Moreover, some of the advantages, to the Midwest that are claimed for a TransCanada pipeline will not, in fact, occur. For example, an oil pipeline through Canada will not affect fuel prices in that area, because price is set by the much greater volume of oil coming north from the Gulf of Mexico and North Slope oil would provide only a portion of the total Midwest demand. Nor is it true, as some claim, that the West Coast does not need nor cannot use all of the oil delivered by a Trans-Alaska pipeline. In 1972, demand in that area was 2.3 million barrels per day (MMbpd of which 1.5 million barrel was obtained from domestic resources and 0.8 million barrels was imported (0.3 MMbpd from Canada, 0.1 MMbpd from other Western Hemisphere sources and 0.4 MMbpd from relatively insecure Eastern Hemisphere sources). The best available projections show that by 1980, and for subsequent years, the West Coast demand will exceed domestic production and Canadian exports available in that area by at least the capacity of the Trans-Alaska pipeline.

As much as I would like to assure the Midwest even a marginal increase in the security of its total energy supply, it is more important now to assure that the total economic and energy security interests of all the people of the U.S. are served by getting as much American-owned oil as possible to the U.S. market as soon as possible:

I hope the views expressed, in this letter will be helpful to you in your consideration of this issue.

Yours Sincerely,

Rogers C. B. Morton Secretary of the Interior