State continues answering questions for environmental review

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The Alaska Gasline Development Corp. (AGDC) continues working to answer detailed environmental review questions raised by federal regulators, with responses to more than 200 data requests still owed as of mid-December — eight months after the state filed its application for the proposed Alaska LNG project.

While it continues filling in data gaps and providing details on project construction plans and operations, the state waits for the Federal Energy Regulatory Commission (FERC) to decide when it has enough details to issue a credible timeline for the project's environmental review. FERC this summer submitted more than 800 data requests to the state after federal agencies reviewed AGDC's April application.

The environmental impact statement would be the largest and most complex of any that federal regulators have prepared for a liquefied natural gas export project, due to the environmental sensitivities of building and operating in Alaska, and the diverse terrain and wildlife habitat along the 807-mile north-to-south pipeline from North Slope oil and gas fields to a liquefaction plant and marine terminal on the Kenai Peninsula.

At the same time it is working through the FERC process, the state corporation is busy marketing the estimated $43 billion project to potential customers and financial partners in Asia. The environmental review schedule is important to those marketing efforts, AGDC said in a Nov. 16 letter to FERC: "The issuance of a schedule will provide valuable assurance to the market that the regulatory process … is on track and consistent with Alaska LNG's targeted in-service date."

AGDC has signed non-binding agreements to explore future deals with potential customers and possible financial partners in China, South Korea, Japan, and Vietnam, with more information about Chinese interest expected later in 2018. But Alaska is far from alone in courting LNG buyers in the highly competitive global market, with new or expanded liquefaction plants proposed in Russia, Australia, Papua New Guinea, Mozambique, Iran, Canada, the U.S. Gulf Coast, and the world's No. 1 LNG producer, Qatar.

In a 12-page promotional booklet distributed in the state's largest newspapers in early December, AGDC reaffirmed its ambitious schedule of getting FERC to prepare and issue a final EIS in just 12 months. The corporation would then make an investment decision and, if it's positive, start construction in 2019, with loading of the first LNG cargo at the Nikiski terminal in 2024.

Toward meeting that timeline, AGDC on Nov. 16 requested FERC take "immediate action" to speed up the environmental review and asked for a schedule by Dec. 15. The state has been hoping for fast action ever since it applied to FERC in April, at which time AGDC said it expected to receive the EIS schedule "soon," and then in August said it expected the schedule by this fall.

The state corporation in its presentations often refers to permitting support and project encouragement it expects to receive from the Trump administration.

SPENDING WILL INCREASE TO $5 MILLION A MONTH

While working on regulatory issues, marketing, and project design, AGDC management reported to the board of directors Dec. 7 that the corporation plans to increase its spending from about $3 million a month this year to more than $5 million a month for the first half of calendar 2018. At that rate of spending, AGDC would have about $29 million left in its state-funded project account at the start of the next fiscal year on July 1, 2018, staff told the board.

A significant portion of 2017 spending has gone toward project marketing, business development, outreach, trade shows, and promotional efforts — about $5.2 million — according to spending details presented to the board Dec. 7.

In a presentation three days before the board meeting, AGDC reported to the state House Resources Committee that it has moved away from the costly and lengthy process known as front-end engineering and design (FEED) in favor of relying on the project construction contractor(s) to do more of the design work. The plan now is to "engage with engineering and construction firms to refine proposals to develop a lump-sum turnkey cost estimate," AGDC told state lawmakers.

AGDC President Keith Meyer told legislators it might add to the cost of construction contracts but it would be faster than the state going through the FEED process.

North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips, which led the Alaska LNG development effort for more than four years, had planned to use the more traditional FEED progression for the complex project to reduce risks of construction overruns and delays.

However, the producers told the state more than a year ago that they were not inclined to commit in a weak global market to the billion-dollar-plus spending needed over a couple of years for FEED. Rather than delay the project, Alaska Gov. Bill Walker decided the state would take over management and ownership. The governor and AGDC believe the global LNG market will need new supply in the early 2020s, prompting the aggressive push to move along the Alaska development.

AGDC PLANS TO SUBMIT MORE DATA IN JANUARY, FEBRUARY

Of the remaining data requested by federal regulators for the environmental impact statement, AGDC in earlier responses said the last of the detailed answers would be submitted by Jan. 1 and Feb. 1, 2018. In February, corporation officials are expected to meet with residents in Nikiski to provide an update on preferred relocation options to reroute a couple miles of the Kenai Spur Highway from the middle of the LNG plant site to the more residential area east of the industrial location.

In its filings with FERC in November and December, AGDC provided additional details on:

- **Permanent state highway and airport improvements that would be needed to accommodate construction activities:** The corporation told FERC no such improvements would be required. Though AGDC's previous filings reported that the Alaska Department of Transportation "anticipates that some roads, highways and bridges would need improvements to bear the heavier and more frequent truckloads during project construction, and that portions of the Parks, Dalton, Elliott, Seward, Sterling, and Glenn highways may need to be refurbished after 2027 to repair project-related construction effects." AGDC indicated in an earlier filing it would consider an agreement with the state to help "mitigate" construction-related impacts to roads, highways, and bridges.

- **An access management plan dealing with "all forms of permanent, semi-permanent or temporary access of vehicle and foot traffic" along the pipeline route and at project sites, including human and wildlife access:** AGDC told FERC it is "unaware of any requirement to develop an access management plan, as access is typically negotiated through right-of-way lease agreements with individual landowners and a highway use agreement with the Alaska Department of Transportation and Public Facilities. … This responsibility lies with the respective landowners and land managers."

- **A traffic management plan for the Glenn, Parks, Seward, Sterling and Kenai Spur highways, addressing such measures as scheduling equipment deliveries during non-peak hours:** AGDC responded that other than in two limited stretches of the Parks and Dalton highways, no advance traffic management plan is required under state Department of Transportation criteria.

- **Pipeline construction challenges for bridging the Nenana River Gorge between Mileposts 532 and 540 from Prudhoe Bay:** AGDC described the area as "steep mountainous terrain with unstable slopes, the Nenana River, numerous streams, and a seismic fault. … Construction of the Nenana River pipe bridge crossing (three spans totaling 900 feet in length) would be performed in very steep terrain, near the Alaska Railroad and near the Moody slide."

- **An alternative to the difficult crossing at Nenana Gorge:** AGDC continues to look for federal legislation that could make it easier to route the buried pipeline across flatter lands just inside the boundary of Denali National Park and Preserve. Though FERC asked for field survey data on the park alternative to the Nenana Gorge route, the corporation told federal regulators it would be premature to spend money on field work along the park route until Congress acts on the state's request.

- **The project's cumulative climate change contribution:** AGDC's brief answer was that while the project's equipment and operations would increase carbon dioxide emissions in Alaska, decreased CO_2 emissions are expected in countries that would burn the gas instead of coal.

- **More information on impacts during construction on the recreational, tourism and housing economies of the state:** AGDC answered that a possible housing shortage "would result in higher prices for existing owner-occupied dwellings and rental units." The corporation's previous filings showed "that the Matanuska-Susitna Borough, Kenai Peninsula Borough and the Municipality of Anchorage will experience significant change in housing prices during project construction, the greatest of which will occur in the Matanuska-Susitna Borough and Anchorage Municipality from 2023 to 2025."

- **As to impacts on tourism-related businesses,** AGDC said "an influx of economic in-migrants during project construction could benefit hotels/motels in the Municipality of Anchorage, Matanuska-Susitna Borough and the Kenai Peninsula Borough, but there may also be concern by some tourist accommodation operators who are dependent on repeat business that turning away tourists could result in fewer customers in the future after project construction ends. … These types of negative impacts, however, would be difficult to quantify at this time."

- **AGDC also pointed out:** "Conversely, the availability of a cleared right-of-way that provides improved access to prime recreation areas after construction ends could increase the number of visits to these recreation areas and benefit businesses that cater to the recreationists. These benefits are also difficult to quantify at this time."

- **The project's effects on the government workforce in Alaska:** In particular, FERC asked, "workforce retention may become an issue because high-paying project construction jobs may attract public service employees, including law enforcement officers, fire protection and emergency medical service personnel, and teachers," along with volunteers who serve in local fire departments and ambulance services. AGDC responded: "It is possible that volunteer ambulance services and fire departments may find it more difficult to recruit and retain volunteers given the higher wages in the construction sector relative to these public service jobs. As noted, this situation has occurred in North Dakota during the recent oil boom."

- **Aquifer tests for water wells to serve the LNG plant in Nikiski:** AGDC responded that it had decided to drop its original plan to drill water wells in Nikiski, opting instead to rely on an extension of the city of Kenai water pipeline to serve the facility during construction and operations.