# State signs on to cover costs of FERC-approved contractor for EIS

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*(This update, provided by the Kenai Peninsula Borough mayor's office, is part of an ongoing effort to help keep the public informed about the Alaska LNG project.)*

As part of taking over sole responsibility for the Alaska LNG project, the state has signed an agreement to cover the costs of the contractor that will assist federal regulators in preparation of the project's environmental impact statement.

The Federal Energy Regulatory Commission (FERC) selects a third-party contractor to help with each project's impact statement and directs the contractor's work. Project applicants pay all of the contractor's fees and expenses.

In other news of the state-led venture, Alaska Gov. Bill Walker has sent a 32-page packet to President Donald Trump, proposing multiple congressional and executive branch actions intended to lower the cost, limit federal oversight and ease the regulatory burden on the Alaska project. Among the requests is a federal loan guarantee to cover almost the entire cost of the $45 billion development.

Regardless of the outcome of the governor's request to the president, the environmental review process will continue at FERC. ERM, a 40-year-old global firm with almost $900 million in revenues last year, with offices in Alaska and 35 other states, has been assisting FERC with preparations for the Alaska project's environmental impact statement. Work on the actual EIS would begin after the project sponsor files a complete application with federal regulators.

The state agency in charge of the project, the Alaska Gasline Development Corp. (AGDC), has said it is working toward filing the application with FERC in June for the $45 billion development to move North Slope gas through an 804-mile pipeline to a liquefaction plant and marine terminal in Nikiski with LNG export sales to Asian markets.

When FERC selected the EIS contractor in 2014, the project applicants were North Slope oil and gas producers ExxonMobil, BP and ConocoPhillips, along with the state of Alaska as a 25 percent partner. The state paid its proportional share of the costs. Then last year, the state started to take over full management of the project after the companies opted not to proceed to the costly next stage of development and FERC application due to weak market conditions amid a global oversupply of liquefied natural gas.

**CONTRACTOR EXPENSES WILL DEPEND ON STATE EFFORT**

FERC had requested that AGDC negotiate an agreement with ERM for the state to take over full responsibility for the contract. The state corporation on Feb. 23 signed a memorandum of understanding with FERC and ERM, and then separately signed a reimbursement contract with ERM for its work on the project. Financial terms of the contract are not included in the public docket at FERC. Billings by ERM will depend on work generated by the project applicant's filings with FERC.

AGDC has said it is working to answer 420 pages of questions and requests for more information submitted last fall by federal regulators — information required before FERC would accept the project application as complete.

In addition to working on the environmental, engineering, construction, route selection and other data requested by FERC, the state gasline corporation continues to negotiate with the North Slope producers on two issues still pending before the state can fully take over the project:

- The federal export authority for the gas is in the name of the companies, and the state needs to get itself added to that authorization.
- The state was not a party to the almost 650 acres of land the companies purchased at the LNG plant site in Nikiski, and AGDC is talking with the companies about an option or lease — some mechanism to satisfy FERC's requirement that a project applicant must show it has a legal right to the site.

**COAST GUARD SAYS COOK INLET CAN HANDLE TRAFFIC**

In other project news, the U.S. Coast Guard on Feb. 11 notified FERC it had reviewed the required Waterway Suitability Assessment for the Alaska LNG terminal in Nikiski. "Based on a comprehensive review of marine safety and security issues in coordination with port partners, I recommend Cook Inlet be considered suitable for accommodating the type and frequency of LNG marine traffic associated with the project," said Coast Guard Capt. P. Albertson, Captain of the Port, Western Alaska.

"We focused on navigation safety and maritime security with respect to LNG vessels transiting Cook Inlet," the letter explained. "We consulted a variety of stakeholders including the governing Area Maritime Security Committee, Cook Inlet Harbor Safety Committee, Cook Inlet Regional Citizens Advisory Council, and local emergency response groups."

The Waterway Suitability Assessment looks at water depths, tidal range, underwater pipelines and cables, berthing requirements and other safety and security issues.

While the Coast Guard Letter of Recommendation to FERC is public record, the underlying analysis, which includes "operational safety and security measures," is confidential.

**GOVERNOR REQUESTS PRESIDENT'S HELP**

Gov. Walker on Feb. 7 sent a request to President Trump proposing "several practical and innovative means by which the U.S. government can assist" with the project that would create U.S. jobs and help reduce the nation's trade deficit. Those include:

- Reopen the federal office for Alaska North Slope gas projects that closed in March 2015 and expand its authority in federal law to assist with an LNG export and/or in-state pipeline project. The office, created by the Alaska Natural Gas Pipeline Act of 2004, was limited to assisting a pipeline project that would deliver gas to North America — that was before the shale gas boom, when U.S. gas buyers, and Congress, worried the country could run short of the fuel.

- Remove a North American pipeline project from the agency's authorizing legislation.

- Add a provision that the Alaska Natural Gas Pipeline Act, and its benefits, apply only to a project "owned or partially owned by the state of Alaska."

- More than double the available federal loan guarantee for the Alaska project from the $18 billion established in the 2004 legislation to $40 billion, indexed to inflation.

- Add a statement to law that the Alaska project qualifies for federal tax-exempt status. The governor has promoted tax-exempt status for the project's debt financing and its income under a state-controlled ownership structure as a significant move toward reducing the venture's costs and increasing its competitiveness in the crowded global LNG marketplace.

- Exempt the project "from all federal wetlands compensatory mitigation requirements of the Clean Water Act."

- Direct all federal agencies to authorize above-ground or below-ground pipeline construction "in accordance with the project proponent's design for any terrestrial, riparian or marine area."

Adding the LNG export project to the Alaska Natural Gas Pipeline Act would impose the statute's 20-month deadline on FERC to prepare the project's environmental impact statement and issue a decision on the application.

Other executive branch actions proposed by the governor in his letter to the president would limit federal agency oversight of different aspects of the project, including:

- Exempt the project from EPA oversight of programs that have been delegated to the state under the Clean Water Act and Clean Air Act.

- Direct the U.S. Army Corps of Engineers "to ensure that any areas with underlying permafrost shall not be jurisdictional wetlands."

- Exempt the project from having to reimburse the U.S. Pipeline and Hazardous Materials Safety Administration for its costs of reviewing the pipeline and LNG plant specifications, construction and operational plans.
- Direct the pipeline safety agency not to object to the polyethylene coating proposed by the developer for the steel pipeline, and not to object to block-valve and crack-arrestor spacing along certain portions of the line. (The agency raised both issues in its comments through FERC last year.)
- Declare that a strain-based design for the pipeline does not require a special permit. The pipeline agency has long maintained that a special permit would be required for a strain-based design in areas susceptible to ground movement because of discontinuous permafrost.
- Rescind an executive order that would require the Bureau of Land Management and other federal agencies to require compensatory mitigation from the project developer.
- Require that any federal action considered under the Endangered Species Act within Alaska "should require concurrence" from the state Department of Fish and Game.
- Exempt the project from the National Marine Fisheries Service's beluga whale recovery program management conditions. (Cook Inlet belugas are listed as an endangered species.)
- Direct the National Marine Fisheries Services to "re-evaluate and define" the Cook Inlet Beluga Exclusion Zone, with the concurrence of the state.

The governor's list of proposals also includes an amendment to the Alaska National Interest Lands Conservation Act of 1980 (ANILCA) to ease the regulatory requirements for routing seven miles of the gas pipeline just inside the eastern edge of Denali National Park. Alaska Sen. Lisa Murkowski tried adding the same amendment to an energy bill last year, but Congress never took action on the legislation.

The Alaska LNG team has advocated the park route as a better alternative than building the line across steep side slopes and unstable terrain farther east, outside the park boundary. The alternative route also would eliminate the need to build a 500-foot-long pipeline bridge across a steep canyon, and would bring gas closer to park facilities for use as an alternative to diesel fuel.

Without the change in federal law, however, the alternative routing, regardless of its benefits, would be subject to an "impracticable … unreasonably difficult if not impossible" duplicative federal regulatory process under a seldom-used provision of the Alaska National Interest Lands Conservation Act, project sponsors said in filings last fall with FERC.