State asks FERC for ‘immediate action’ on environmental review

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The Alaska Gasline Development Corp. (AGDC) has asked federal regulators to take “take immediate action” to speed up the environmental review of the state-sponsored Alaska LNG project “in a timely, efficient and cost-effective manner.” As a first step in that effort, the state corporation wants the Federal Energy Regulatory Commission (FERC) to issue a schedule for the project’s environmental impact statement by Dec. 15.

Under FERC regulations and procedures, it issues a timeline for its environmental review after determining it has sufficient information from an applicant to predict — and adhere — to a published EIS schedule. AGDC submitted its project application in April, and it appears the state corporation is growing tired of waiting for a timeline. AGDC has responded in full or in part to many — but not all — of the hundreds of detailed questions from federal regulators, with the state pledging to provide more answers through this winter.

“Rather than postpone the issuance of an environmental review schedule until all information requested has been received, the commission … should issue a schedule now, while making it clear that such schedule is subject to modification if needed information is not received in time to meet the schedule,” AGDC said in a Nov. 16 letter to FERC commissioners. “AGDC continues to diligently respond to … (FERC’s) requests for information, but not all of the information … is available at the current time.”

In announcing its application in April, AGDC said FERC would issue the timeline “soon.” In August, the corporation said it expected to receive an EIS timeline this fall. FERC never publicly responded to the state’s calendar expectations.

Additional and often detailed data requests from FERC are common before it issues a review schedule. Of the LNG projects that received a FERC Notice of Schedule for Environmental Review between 2011 and 2017, several took more than a year after an application to receive their schedule.

STATE SAYS SCHEDULE IMPORTANT FOR MARKET

Having the EIS schedule is important to the project, the state wrote to FERC. “The issuance of a schedule will provide valuable assurance to the market that the regulatory process, and particularly commission review of Alaska LNG, is on track and consistent with Alaska LNG's targeted in-service date.” Under the state’s ambitious schedule for the $45 billion project, the first gas exports could start as soon as 2023, with the state looking to sell into Asian markets.

In keeping with the same schedule requested in its April application, AGDC in its Nov. 16 letter again asked FERC to prepare its draft EIS and then complete the final EIS and issue an order on the application all by Dec. 31, 2018. FERC approval is required to construct and operate an LNG export plant in the United States.

The state believes it could start producing and exporting liquified natural gas by late 2023 if it can receive FERC approval in 2018, with a final investment decision by AGDC and its partners/investors to quickly follow.

A 2023 start-up would be a year or two sooner than projected when North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips were leading the project. The companies stepped aside a year ago. They decided — amid weak global LNG market conditions — not to commit to the $1 billion or more they estimated it would take to complete permitting, engineering and design work to reach an investment decision. The state of Alaska, which was a 25 percent partner in the producer-led venture, then took over sole responsibility for the project.

FERC's environmental review will serve as the single federal EIS and will be used by all other regulatory agencies. It will cover impacts from construction and operation for:

- 62 miles of pipeline to bring gas from the Point Thomson field west to Prudhoe Bay.
- A gas treatment plant at Prudhoe Bay to remove carbon dioxide, water and other impurities from the gas stream. Prudhoe Bay would supply about 75 percent of the project's initial gas reserves, with 25 percent coming from the Point Thomson field.
- 807 miles of high-pressure, 42-inch-diameter pipe on a southerly route through the state to Cook Inlet and across the water (29 miles underwater) to Nikiski on the Kenai Peninsula.
- At least five offtake points along the route to provide gas for in-state use.
- A liquefaction plant, storage tanks and marine terminal in Nikiski. The LNG facility and marine terminal would be the single most expensive component of the project — about half the total cost.

AGDC ASKS FERC TO USE ARMY CORPS WORK

AGDC on Nov. 16 also asked that FERC speed up its review by relying on the U.S. Army Corps of Engineers' environmental analysis for a smaller, but similar, proposed gas pipeline project in Alaska that "has raised the same wetlands issues currently being reviewed in connection with the Alaska LNG project."

The Army Corps is scheduled to adopt in December its final supplemental EIS for the state-sponsored Alaska Stand-Alone Pipeline, also known over the years as the in-state line, the bullet line and the backup project to meet in-state gas demand if the larger venture does not proceed. Also managed by AGDC, the smaller project does not include an LNG plant, nor does it include a pipeline from Point Thomson. It would run about 730 miles south from Prudhoe Bay to connect with Southcentral Alaska's existing gas distribution system north of Anchorage.

The project is estimated at $10 billion and would have the capacity to move up to 500 million cubic feet of gas a day — less than one-sixth the capacity of the Alaska LNG project pipeline. Even at that lower volume, however, it would be more than double the current demand for gas in Alaska, all of which is supplied from Cook Inlet and Kenai Peninsula fields. The project's supporters have long argued that Cook Inlet gas production is in decline, and that in-state demand would significantly increase if North Slope gas were available at affordable prices. The state legislature created AGDC in 2010 for purposes of developing the Alaska Stand-Alone Pipeline (ASAP), specifically adding the LNG project to the corporation's portfolio in 2014.

AGDC on Nov. 16 requested that FERC "issue an order … formally adopting, or otherwise incorporating," the Corps of Engineers' EIS for the Alaska Stand-Alone Pipeline "as it pertains to the methods, processes and techniques for constructing the pipeline segments of the Alaska LNG project through Alaska wetlands and assessing the impacts of, and mitigation required for, such construction through wetlands."

In its 20-page brief to FERC, the state pointed out that the Army Corps "has been conducting an extensive National Environmental Policy Act (NEPA) analysis on the ASAP pipeline that is of similar dimension to the Alaska LNG pipeline, shares the same right-of-way as the Alaska LNG pipeline for about 670 miles, and would transport the same North Slope natural gas as Alaska LNG."

STATE SAYS FERC's WETLANDS PROCEDURES COULD ADD COSTS

The state also asked FERC to grant "any necessary waivers or variances" of its Wetland and Waterbody Construction and Mitigation Procedures "that impose greater or more restrictive requirements than those imposed" by the Army Corps for the Alaska Stand-Alone Pipeline Project. "If not waived, these procedures will have a significant impact on project construction planning, schedule and cost."

The commission "should rely on and defer to the Army Corps to determine the need for and level" of mitigation measures for damaged or lost wetlands, AGDC said, "rather than imposing more restrictive and impractical construction methods that would delay and significantly increase the cost of Alaska LNG."

While FERC's Office of Energy Projects "has not made any final determinations concerning the need for Alaska LNG to comply with its wetlands procedures, it has informed AGDC that several of its construction methods relating to wetlands are not in compliance with its procedures, and that a waiver or variance of these methods would need to be justified through a demonstration that Alaska LNG's methods provide equivalent or greater protection to the environment than those required by the procedures."

However, because of Alaska's unique geographic conditions and remoteness, several of the methods in FERC's wetlands procedures, though perhaps reasonable for Lower 48 projects, would be "impracticable for the Alaska LNG project," AGDC said. The state has submitted information justifying a waiver, but said in its Nov. 16 letter that the waiver process "is costly, creates uncertainty and is unnecessary in light of the Corps of Engineers' analysis of these same issues."

The state asked that the commission rely on the Army Corps' expertise "without regard to FERC's generic national wetlands procedures."

Costs are important if the Alaska project is to succeed in the highly price-competitive global LNG market. "AGDC is making unprecedented commercial progress advancing Alaska LNG," the state said in its letter. AGDC has signed memorandums of understanding with Korea Gas and PetroVietnam Gas, and a joint development agreement with several Chinese companies — all of which are interested in the Alaska project but all of which are short of firm purchase commitments, investments or financing.

STATE REMINDS FERC OF PRESIDENTIAL OBJECTIVES

AGDC said its requests of FERC are supported by the president's "objective of coordinating and streamlining the environmental review of infrastructure projects," including a recently issued executive order. The state also quoted a recent statement by FERC Chairman Neil Chatterjee: "The commission will look for greater efficiencies in FERC's review processes in an effort to reduce the time it takes to perform NEPA analyses without sacrificing safety and environmental protection."

President Donald Trump on Aug. 15 issued Executive Order 13807, which emphasized "the benefits to the nation's economy, society and environment that would result from more efficient and effective federal infrastructure decisions." The order, which does not govern FERC as an independent federal agency, said it is the policy of the federal government to conduct "environmental reviews and authorization processes in a coordinated, consistent, predictable, and timely manner in order to give public and private investors the confidence necessary to make funding decisions for new infrastructure projects."

The order sets out a goal of completing all federal environmental reviews and authorization decisions for major infrastructure projects within two years.

In February, Alaska Gov. Bill Walker wrote to President Trump proposing "several practical and innovative means by which the U.S. government can assist" with the project. Those included exempting the Alaska LNG project "from all federal wetlands compensatory mitigation requirements of the Clean Water Act."

The governor also proposed to the president several executive branch actions to limit federal agency oversight of the project, including an exemption from EPA oversight of programs that have been delegated to the state under the Clean Water Act and Clean Air Act, and directing the Army Corps of Engineers “to ensure that any areas with underlying permafrost shall not be jurisdictional wetlands.”

AGDC sent its Nov. 16 letter to Alaska’s congressional delegation.