

FERC approves Alaska LNG project

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The Federal Energy Regulatory Commission on May 21 approved the Alaska LNG project. The authorization sets out terms and conditions for construction and operation of the multibillion-dollar development to pipe North Slope gas 807 miles from a treatment plant at Prudhoe Bay to a gas liquefaction plant in Nikiski on the Kenai Peninsula.

Though FERC authorization is an important step, the project still needs several other federal agency approvals, additional development funding, equity investors, long-term financing, LNG customers — and a new lead check-writer for the venture.

FERC approval came about 7 a.m. Alaska time, just two hours before the Alaska Gasline Development Corp. board of directors was scheduled to hold its monthly meeting. The state corporation has been leading the project development effort since late 2016.

The AGDC board at its April meeting, however, set out a plan to find someone else to take over from the state as lead on the venture. If no partner(s) step up to take on the project, the board appears ready to sell off the assets and close down the state-led venture.

The AGDC board of directors “does not support” the state continuing as the sole project sponsor past Dec. 31, 2020, according to the public assumptions that went into the corporation’s confidential strategic plan adopted at the April meeting.

The corporation has received an updated construction cost estimate for the project, last reviewed about three years ago at \$43 billion. AGDC staff and consultants are reviewing the cost work from its contractor, Fluor, and will report to the board at its June meeting.

It’s part of the ongoing work to assess the “economic viability of the project,” according to a staff presentation for the board’s May 21 meeting.

In granting authorization, FERC looks only at environmental and safety issues, not project economics or if an applicant has the financial capability to complete a project.

The FERC order for the Alaska LNG project was not available on the agency’s website by mid-morning. The order will include a deadline for project start-up along with construction and operating conditions to protect the environment and multiple other terms and requirements.

FERC Chairman Neil Chatterjee made note of the Alaska project in his opening remarks at the May 21 meeting: “I’m also pleased that the commission is granting a certificate for the Alaska LNG project proposed by the Alaska Gasline Development Corp. ... This is the 13th LNG project we’ve approved since I joined the commission.” Chatterjee was appointed by President Donald Trump to a Republican seat on the commission and has served since 2017.

Commissioner Richard Glick offered a dissenting opinion on the Alaska application. “The economics of the project in question are even more perilous” given the depressed state of the global LNG market, Glick said. “The corporation running the project recently announced it’s looking for private entity to take over the project. If not, they have suggested they will sell off the project’s assets.”

Glick, a Democratic member of the commission, also appointed by Trump, explained: “I’m not suggesting we should approve or reject based on economic viability, but I can’t

understand why we're rushing out before the record has been sufficiently developed” on the project’s significant harm to endangered species, vegetation, and subsistence communities and on its substantial greenhouse-gas emissions.

(Editor’s note: I will distribute a summary of the FERC authorization’s terms and conditions after the commission posts the Alaska order on its website. I expect to send out that summary next week.)