Mat-Su Borough asks FERC to reconsider Port MacKenzie for LNG plant

By Larry Persily
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The Matanuska-Susitna Borough has asked the Federal Energy Regulatory Commission to redo the final environmental impact statement and reconsider its decision for the proposed Alaska LNG project, correcting what the borough alleges are factual errors and deficiencies that prevented fair consideration of municipally owned Port MacKenzie property for the gas liquefaction plant and marine terminal.

"The order is based on a procedurally and substantively deficient final environmental impact statement, is in violation of the National Environmental Policy Act … and therefore does not provide the commission or the public with all relevant information for the Alaska LNG project," the borough said in its June 19 motion for a rehearing filed by the municipality's contract attorneys in Washington, D.C.

The final EIS "does not contain a full analysis of the environmental impacts associated with the Port MacKenzie alternative," said the borough, which has long promoted the property across Knik Arm from Anchorage for industrial development.

The borough asked FERC to prepare a supplemental EIS and then, after a fair review of the Port MacKenzie alternative for the LNG terminal, issue an amended order based on the updated EIS.

The final EIS, issued March 6, accepted Nikiski on the Kenai Peninsula as the project's preferred site for an LNG terminal at the end of an 807-mile gas pipeline from the North Slope. On May 21, FERC issued an order granting authority to the Alaska Gasline Development Corp. (AGDC) to proceed with the development after numerous other permits and regulatory requirements have been met.

The Matanuska-Susitna Borough is one of several intervenors in the FERC docket, along with the Kenai Peninsula Borough, which has defended the choice of its own community, Nikiski, and the city of Valdez, which has promoted its community as the better alternative for the LNG terminal. Only an intervenor may file a motion for a rehearing with FERC.

If an intervenor is not satisfied with the outcome of a rehearing request, its next option would be to file in federal court.

The municipalities are arguing over a state-led multibillion-dollar development effort that lacks equity partners, construction financing, and LNG customers with uncertainty over whether the project is even economically viable.

AGDC, the state corporation created 10 years ago to support development of North Slope natural gas resources, is looking for someone else to take over the project that it has shouldered alone for almost four years after ExxonMobil, BP, and ConocoPhillips elected not to proceed with the FERC application.

AGDC filed the project application with FERC in April 2017.

After receiving the final EIS, the corporation in April adopted a strategic plan that calls for removing the state as the sole project sponsor by Dec. 31. If AGDC cannot interest anyone in taking over the lead and helping to pay the bills, the corporation plans to "put the Alaska LNG project assets up for sale" in a formal bidding process, according to a staff presentation at the April 9 board meeting. The corporation has the authority under state law to sell the project assets.

In the past decade, AGDC has spent about $460 million toward engineering and permitting work for the LNG export project and the smaller, so-called "backup" plan of a $10 billion North Slope gas project to serve Alaska without an LNG component.

The corporation board is scheduled to meet June 25 and is expected to review updated cost projections for the project, last estimated three years ago at $43 billion for the gas liquefaction plant and marine terminal, a treatment plant at Prudhoe Bay to remove carbon dioxide and other impurities from the gas stream, the main pipeline to Nikiski, and 62 miles of pipeline from the Point Thomson field to Prudhoe Bay.

Though global demand for LNG had been on the upswing, the coronavirus pandemic and subsequent economic shutdowns worldwide have cut deeply into demand for the fuel with 2020 expected to come in below 2019 levels. It would be the first year of demand shrinkage in more than a decade.

Even before the coronavirus shutdowns, an oversupply of LNG had brought down prices to record lows in Asia and Europe this year with investment decisions postponed for several projects on the U.S. Gulf Coast, in Mozambique, Canada, and elsewhere.

"We don't see any additional North American export capacity getting sanctioned in the next decade," Ross Wyeno, an LNG analyst at S&P Global Platts, said last month.

In its motion to FERC, the Matanuska-Borough said the EIS "erred by defining the project's objectives so narrowly that only the applicant's preferred site for the liquefaction facility (Nikiski) could fulfill them." The borough alleged, "As a result, the commission did not take a 'hard look' at the Port MacKenzie alternative or any other liquefaction facility site alternative."

The borough has battled with AGDC for the past three years, arguing that the state corporation failed to adequately consider Port MacKenzie. In December 2017, the borough alleged that AGDC and FERC may have violated the National Environmental Policy Act and federal Clean Water Act by "improperly and intentionally excluding" Port MacKenzie as a "reasonable alternative" for the LNG plant.

The project leadership team selected Nikiski in 2013, when the venture was led by the three major North Slope producers.

In its June 19 filing with FERC, the borough again reiterated its past claims that the EIS "contains substantive errors and selective data gaps," in particular overstating the volume of dredging required for vessel traffic to access the site across from Anchorage, and misrepresenting issues of air quality, wetlands, winter ice conditions, pipeline connections for gas distribution in Alaska, and whether building the LNG plant at Port MacKenzie instead of Nikiski would cause shipping delays.

"The order is based upon a 'bald assertion' that 'the Port Mackenzie alternative would not provide a significant environmental advantage over the proposed Nikiski site,'" the borough said.

In the case of pipeline interconnections to pull out gas for use in Alaska, the borough argues that could be accomplished with the Port MacKenzie alternative and "there is no inherent reason why one of these interconnections needs to be located" at the Nikiski site.

The borough’s motion concluded: “At a minimum, FERC must revisit its analysis of the Port MacKenzie alternative and include all information necessary to understand how its environmental impacts compare to Nikiski. Failure to do so not only violates the National Environmental Policy Act, but also would constitute an arbitrary and capricious decision.”

While the borough continues its fight at FERC, other federal regulatory agencies are continuing their review of the project and issuing opinions of environmental impacts. The U.S. Fish and Wildlife Service on June 17 issued its Endangered Species Act biological opinion of the project’s impacts, matching up with the analysis in the final EIS.

“The service has determined the proposed action may affect, but is not likely to adversely affect Alaska-breeding Steller’s eiders, short-tailed albatross, northern sea otters, or designated critical habitat for Steller’s eiders and northern sea otters. The service has also determined the proposed action may adversely affect spectacled eiders and polar bears.

“Following review of the status and environmental baseline of spectacled eiders and polar bears, and analysis of potential effects of the proposed action to these species, the service has concluded the proposed action is not likely to jeopardize the continued existence of spectacled eiders or polar bears, and is not likely to destroy or adversely modify designated polar bear critical habitat.”