

## State finishes answering questions for Alaska LNG final EIS

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Jan. 6, 2020

With an additional 2,000 pages of charts, data, maps, and explanations, the state-led Alaska LNG team finished the year 2019 by answering the last batch of questions from federal regulators for the project's final environmental impact statement.

With fewer than two months to go before the Federal Energy Regulatory Commission's scheduled March 6 release date for the final EIS, regulators could present additional questions to the Alaska Gasline Development Corp. As of a Dec. 23 filing, however, AGDC had answered all of the last questions submitted as recently as mid-November.

Assuming no delay in the final impact statement, FERC commissioners could vote on the project application June 4.

The state has been leading the effort since North Slope oil and gas producers declined in late 2016 to proceed to permitting for the economically challenged multibillion-dollar development, which includes a gas treatment plant at Prudhoe Bay and 870 miles of pipeline from the Point Thomson gas field to Prudhoe Bay and south through the state to the Kenai Peninsula with a liquefaction plant and marine terminal in Nikiski.

"As the government, we're just right now standing back and just observing if there's any project that can be economical," Alaska Gov. Mike Dunleavy said in an early December interview with the Nikkei Asian Review in Japan.

"If one of these projects or another project that comes up ... if that makes economical sense, that's a good thing because we just want to monetize our gas," Dunleavy said referring to the state-led Alaska LNG project and privately led Qilak LNG, which proposes to build a much smaller liquefaction plant several miles offshore the North Slope, avoiding the cost of a pipeline.

"We have a lot of natural gas on the North Slope. We know that it has been stranded for years," Dunleavy said.

Qilak LNG is a subsidiary of Dubai-based Lloyds Energy, which has been looking to develop an LNG business since it was formed in 2013. The Qilak project — taking gas from Point Thomson but not Prudhoe Bay — initially would produce about one-fifth the volume of Alaska LNG, its sponsor said when it announced the proposed \$5 billion venture last October.

Qilak has not started the permitting process. Alaska LNG filed its application with FERC in April 2017.

If it obtains FERC approval, AGDC would need to spend hundreds of millions of dollars on final engineering and design and on land acquisition in Nikiski and to get through multiple federal, state, and municipal permits before it could make an investment decision.

The governor, however, has said he is not interested in the state continuing to take the financial risk of leading the project.

Without any partners, investors, or financing for the estimated \$43 billion Alaska LNG project, and lacking firm gas supply contracts with North Slope producers or customers for the LNG, the state corporation could just hold on to the FERC authorization until — if — it is ever needed. In a project authorization, FERC will set a deadline to start operations — much like an expiration date for a building permit — though a developer can request an extension.

In his proposed budget for the fiscal year that will start July 1, Dunleavy has requested legislative approval of \$3.4 million in AGDC spending, down from a \$9.7 million budget this year. While downsizing its staff from last year, the corporation said it would continue to look for a way to attract equity and debt financing of the project. “Outreach to potential partners is underway,” the corporation’s Jan. 3 budget write-up said.

In addition to nearing the end of the review and approval process at FERC, the Alaska LNG team is working on other permits and regulatory authorizations such as a Bureau of Land Management right-of-way authorization for federal lands and a U.S. Army Corps of Engineers permit under the Clean Water Act and Rivers and Harbors Act.

Public comments on the draft EIS closed on Oct. 3, despite several groups asking FERC to extend the comment period. The commissioner released the draft impact statement last June.

In its December filings, AGDC provided further explanation of why it believes Nikiski is a better site for the liquefaction plant and marine terminal than Port MacKenzie, heavily promoted by the Matanuska-Susitna Borough which owns the property across Knik Arm from Anchorage. More ice, heavier currents, a wider tidal range, and the challenges of LNG carriers transiting across the Knik Arm Shoal all make the Port MacKenzie site far less attractive than Nikiski, the state team told FERC.

The borough has spent considerable effort submitting filings with FERC, refuting the project team’s decision to stick with Nikiski. As an intervenor in the docket, the borough could challenge the final EIS or regulatory commission decision.

Also in December, AGDC again listed for FERC the reasons why the corporation believes Anderson Bay at Valdez is an inferior alternative to Nikiski. The city of Valdez, similar to the Matanuska-Susitna Borough, has submitted multiple filings with FERC, seeking further review of its community for the LNG project and challenging AGDC’s numbers and conclusions.

The Valdez site would require substantially more “excavation and disposal” than Nikiski to create a buildable project site out of the steep topography at Anderson Bay, AGDC said in its Dec. 23 answer to FERC. “Site preparation would involve blasting, excavating, grading, and terracing to the site to create level surfaces for the facility.”

Among the other information in December for the final EIS, AGDC provided:

- More details of its “direct microtunneling” plans for pulling the gas pipeline underneath the Middle Fork of the Koyukuk River, the Yukon, Tanana, Chulitna, and Deshka rivers on the way to Cook Inlet.
- Plans for how it would avoid damaging the permafrost and ground cover as occurred during trenching and laying of fiber optic lines along the Dalton Highway to the North Slope in 2015-2017. AGDC said its “review of the Arctic broadband projects ... indicated the construction techniques, mitigation practices and subsequent rehabilitation plan were not done using standard best practices for construction in Arctic conditions. Poor

and shallow trenching techniques and use of ice-rich backfill material combined with the absence of erosion control measures were the primary root causes.” The gas line project will not make those mistakes, AGDC said.

- Updated calculations of the project’s air emissions.
- A gravel-sourcing plan listing almost 90 proposed and alternate sites for digging up gravel for construction of the project, mostly for use along the pipeline route. The gravel sites stretch from 18 miles outside Prudhoe Bay to Milepost 760 of the pipeline, a short distance before the line would enter Cook Inlet for the crossing to Nikiski on the east side.
- Further explanation of why AGDC believes a site near Suneva Lake, just north of Nikiski, is the best location to make landfall as the pipe comes out of Cook Inlet. An alternate landfall site about 5 miles closer to the LNG terminal site, preferred by several residents in the area, would cross a larger area of seafloor boulders, AGDC told FERC in a Dec. 23 response.

In the only third-party comments submitted on the project in December, Trustees for Alaska on behalf of the National Parks Conservation Association filed comments Dec. 19 pointing to “newly identified and continuing deficiencies with the air quality analysis” in the draft EIS. The parks association has asked FERC to let it sign on as an intervenor in the application docket, which would give the group legal standing to challenge the final EIS or FERC decision in federal court.