

Supporters push for more consideration of Valdez LNG site

By Larry Persily lpersily@kpb.us

Feb. 15, 2017

(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.)

Long-time proponents of building a natural gas liquefaction plant and marine terminal at Valdez have filed 210 pages of comments and backup material with federal regulators, calling for a "more robust analysis" of environmental, cost and construction factors that they say favor Valdez over the Alaska LNG project's preferred site in Nikiski.

In their filing with the Federal Energy Regulatory Commission, advocates for building the LNG plant at Valdez called on regulators to closely follow federal environmental law and require the project developer "to produce sufficient data and analysis to objectively compare the Valdez alternative and the Nikiski alternative."

The Alaska Gasline Port Authority, a 17-year-old municipal government partnership between the city of Valdez and the Fairbanks North Star Borough, has long promoted a North Slope natural gas pipeline to Valdez, with an LNG plant and marine terminal to serve Asian export markets. Joining the port authority in signing the FERC filing were the city of Valdez and the mayors of the Fairbanks borough, city of Fairbanks and city of North Pole.

"The Valdez alternative offers several advantages over the Nikiski alternative, none of which has been acknowledged or analyzed" by the Alaska LNG team, including following the trans-Alaska oil pipeline right-of-way from the Prudhoe Bay fields to Valdez, the Feb. 1 filing said.

FEDERAL LAW REQUIRES REVIEW OF ALTERNATIVES

Support for Valdez instead of Nikiski is not a new development. The city of Valdez and Fairbanks North Star Borough in fall 2015 each submitted separate comments to FERC, touting the benefits of building the LNG plant in Valdez, site of the Trans-Alaska oil pipeline terminus and marine terminal.

Nikiski is about 60 air miles southwest of Anchorage, on Cook Inlet. Valdez is about 120 air miles due east of Anchorage, at the end of Valdez Arm in Prince William Sound. The gas pipeline route to Valdez would follow the oil pipeline right-of-way, while the route to Nikiski would veer away from the oil line north of Fairbanks, about halfway on its 800-mile run to tidewater.

Just as support for putting the LNG terminal in Valdez is not new, neither is the work to include the alternative in the project's environmental impact statement. Federal law requires the EIS

to consider all reasonable alternatives for pipeline routing and construction, the LNG plant site and most every other aspect of the \$45 billion proposed North Slope gas project.

In the fall of 2013, after about 18 months of “project concept” work, the Alaska LNG team — comprised of North Slope oil and gas producers ExxonMobil, BP and ConocoPhillips, and the state of Alaska — reported it had determined that Nikiski was preferable to Valdez, and 23 other sites, for the proposed multibillion-dollar LNG plant.

The Alaska LNG team in 2016 submitted its second draft of the Alternatives Report — one of a dozen “resource reports” that FERC would use in preparing the project’s environmental impact statement. That June 2016 report discussed the 24 potential sites for the LNG terminal, including Anderson Bay at Valdez, the location promoted in the latest FERC filing by Valdez and Fairbanks municipal officials.

In an October response to Alaska LNG’s June report, FERC requested more detailed information on the Valdez option — a standard request for the comparative analysis work of an environmental impact statement.

ALASKA LNG CONSIDERED VALDEZ SITE

Alaska LNG, in its draft resource report filed with FERC, detailed several of the considerations that weighed against the Valdez alternative:

- The \$2.75 billion estimated cost of removing approximately 39 million cubic yards of overburden and rock at the Anderson Bay site, almost eight times the volume of material that would be removed to prepare the site in Nikiski. Alaska LNG acknowledged that its number was four times the volume of rock and overburden estimated by a different project sponsor in a 1995 federal environmental analysis of the Valdez site.
- Oil tanker and LNG carrier traffic congestion through the mile-wide Valdez Narrows, possibly disrupting LNG deliveries to overseas customers.
- Designation of two National Park Service Wild and Scenic Rivers along the Valdez pipeline route in the years after a federal EIS selected the route as the preferred alternative for an earlier LNG plant proposal.
- “Significant challenges” with air quality permitting in the Valdez area, which is surrounded by more mountainous terrain than Nikiski.
- Significantly steeper terrain through Thompson Pass into Valdez than along the pipeline route to Nikiski. Though the trans-Alaska oil line was successfully built through Thompson Pass, the oil line and the Richardson Highway limit the buildable right-of-way still available for a gas line, Alaska LNG said.
- The high-pressure gas pipeline “could not be within the TAPS [oil pipeline] right of way” due to the oil line’s safety considerations.

- Although the Valdez route would bring the gas line closer to Fairbanks, it would carry the gas farther away from the state's population center in the Matanuska-Susitna Valley and Anchorage.

In response to a Feb. 13 news media inquiry, Alaska Gov. Bill Walker's office said he supports the route to Nikiski.

In addition to challenging all of Alaska LNG's assertions, the Valdez proponents in their Feb. 1 filing listed multiple environmental, permitting and operational risks of the Nikiski alternative, including:

- Sinking the pipeline across almost 30 miles of Cook Inlet, through Beluga whale critical habitat area.
- Nearshore dredging for pipeline installation.
- Nearshore ice that could interfere with operations at the marine terminal.
- The economic loss to salmon setnetters displaced in the area of the marine terminal.
- Routing the pipeline through Denali State Park, Denali National Park, and the Minto Flats and Susitna Flats state game refuges.

STATE RESPONSIBILITY TO REPLY

The state is now in charge of responding to FERC's requests for more information — and addressing the Valdez/Fairbanks filing — along with finishing the environmental and engineering work necessary to prepare a complete project application. After spending about half-a-billion dollars over several years, the North Slope producers a year ago declined to move ahead with spending hundreds of millions of dollars more on environmental, engineering and permitting work amid a global oversupply of LNG and weak prices in oil and gas markets.

The state, however, through the Alaska Gasline Development Corp., wants to keep moving ahead, and is negotiating with the companies to fully take over development of the project.

The state corporation has said it wants to fill in all the data gaps and answer FERC's questions, which total 420 pages, in time to submit a complete project application by June.

The corporation board at its Feb. 9 meeting approved more than \$30 million in spending for the remainder of fiscal year 2017, which ends June 30, to complete work for the FERC application and to pursue marketing and financing opportunities for the state-led venture. The board-approved budget calls for spending more than \$50 million in state funds in fiscal year 2018, assuming the project continues through the permitting process and attracts market interest.

PROPOSERS LIST BENEFITS OF VALDEZ SITE

Much of the Valdez/Fairbanks filing with FERC focuses on purported cost savings and economic benefits of routing the gas pipeline to the Prince William Sound port instead of Nikiski. The Valdez routing would direct the gas line closer to Fairbanks, greatly reducing the miles of a spur pipeline into the community.

“The Valdez alternative’s proximity to Fairbanks and communities along the Richardson Highway provides superior socioeconomic benefit to the Nikiski alternative by providing access to inexpensive natural gas for communities facing exceptionally high energy prices and poor air quality,” the filing said.

The route also would increase the mainline miles subject to Fairbanks borough property taxes.

Points in favor of Valdez, the advocates told FERC, include the ability to co-locate the gas line along the Trans-Alaska oil pipeline right-of-way, allowing cost-saving “utilization of existing infrastructure.” However, the filing alleged, the Alaska LNG partners “have not included these advantages in its analysis of the Valdez alternative.”

The advocates also cited 22- and 29-year-old federal environmental impact statements that determined Valdez was the preferred site for the proposed Yukon Pacific Co. LNG project. The Bureau of Land Management in 1988 issued a final EIS for the project, followed by FERC in 1995. However, Yukon Pacific in 2011 relinquished its unused BLM right-of-way authorization.

“Absent strong countervailing evidence provided by the project applicants,” the proponents said in their filing, “FERC should not allow the project applicants to deviate from the FERC-approved Valdez alternative.”

The filing also cited environmental justice considerations in support of the Valdez alternative. “The Valdez alternative will have lesser impacts on minority and low-income populations. For example, by avoiding impacts on traditional subsistence hunting and fishing areas such as Minto Flats, the Valdez alternative will avoid any disproportionate impacts on Native populations who rely on such resources for their livelihood.”

“Moreover,” the proponents said, “the Nikiski alternative deprives minority and low-income residents of the Fairbanks area access to low-cost natural gas, which would provide relief from health impacts caused by the extremely poor air quality there.”

The Valdez proponents also cited the Alaska’s Constitution’s provision that the state legislature provide for development of Alaska’s natural resources “for the maximum benefit of its people.” The purported cost savings and potentially higher state revenues, they said, “weighs heavily in favor of selecting the Valdez alternative in order to comply” with the state constitution.