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North Slope gas has global potential As Biden looks to increase natural gas, Alaska is poised to step forward

By Linda F. Hersey, P. A1

Alaska's plans for a \$38 billion liquefied natural gas project have gained new momentum with President Biden's pledge last week to increase European exports to replace Russian fossil fuels.

"Global developments have created a sense of urgency for new projects like Alaska LNG," said Tim Fitzpatrick, spokesperson for the Alaska Gasline Development Corp.

"Europe has depended on Russia for 40% of its natural gas, and Russia's invasion of Ukraine created a sudden global energy crisis, as our allies seek energy from the U.S. and other non-adversarial nations," Fitzpatrick said.

America is the world's largest exporter of liquefied natural gas (LNG), but existing U.S. production is inadequate to meet new demands by Europe. Alaska's LNG could help to change that. Alaska's LNG project would provide cleaner-burning natural gas from the North Slope for domestic use and a rapidly expanding global market, supporters say. Alaskans also would benefit from in-state use.



gas plant and export terminal envisioned for Nikiski.
IMAGE FROM ALASKA LNG PROJECT

The state-owned Alaska Gasline Development Corp. projects that North Slope fields can deliver an average of 3.5 billion cubic feet of gas daily, with much of the supply for an international market.

"That is the estimate for our project," Fitzpatrick said. "The volume of the North Slope is even greater than that."

Lower development costs for the LNG project may lower the cost of fuel from previous estimates. "Alaska LNG is expected to deliver LNG for approximately \$6.70 per MMBtu (one million British thermal units), below the expected price from Gulf Coast projects targeting the same Asian markets," Fitzpatrick said in an email to the News-Miner.

For gas customers in the Interior and Southcentral, Fitzpatrick estimated Alaska LNG could be delivered for less than \$5 per per MMBtu.

Driving the price down are projected lower construction costs for the project and a new finance structure, among other factors, he said.

Supporters say that Alaska LNG can play a role in replacing coal and oil in Asia and Europe as the United States and other nations transition to more use of renewable energy and clean technologies. It also can have a role in moving Europe away from Russian fossil fuels.

“The U.S. has no LNG export facilities on the West Coast, a critical energy infrastructure vulnerability, and all LNG is exported from the Gulf of Mexico or the East coast,” Fitzpatrick said in an interview with the News-Miner. “Bringing Alaska LNG online will enable the U.S. to effectively serve allies in both Asia and Europe.”

Russia is China’s second-largest oil supplier and third-largest gas supplier. Biden said this week that China realizes its economic future is with the West. Biden also warned China against siding with Russia in its attack on Ukraine.

Fully permitted LNG project

Currently, there is no natural gas pipeline to move North Slope gas to market. Gas produced on the North Slope is re-injected to maintain pressure in oil reservoirs.

The long-planned Alaska LNG project is now fully permitted for an 800-mile gas pipeline at an estimated cost of \$12.7 billion.

Fitzpatrick said permitting was “an arduous process that took many years and hundreds of millions of dollars in engineering and environmental design.”

Plans for the project call for a \$9 billion North Slope gas treatment plant with a liquefaction facility and export terminal in Nikiski to condense the gas for shipment.

An 80% federal loan guarantee included in the newly adopted Infrastructure and Jobs Act that Sen. Lisa Murkowski helped lead through Congress eases the risks for developers.

Fitzpatrick described the Alaska LNG project as one of the most important energy developments planned in the United States. The project, which would support 10,000 Alaska jobs, will take approximately six years to complete. An energy analyst recently lowered the estimated construction cost for the project by \$7 billion from an original estimate of \$45 billion.

Fitzpatrick said that the Alaska Gasline Development Corp. is quickly working to form a team of infrastructure developers in the private sector to lead the construction and operation of Alaska LNG.

Backed by \$26 billion in federal loan guarantees, Fitzpatrick said the Alaska LNG project is both “economically viable and competitive.”

Asked whether Alaska LNG developers will be fossil fuel companies, Fitzpatrick said that large-scale, complex energy projects are most often financed and developed by a “consortium of well-capitalized parties with worldwide experience.”

“AGDC is in discussions with infrastructure developers and owners that build and operate projects like Alaska LNG,” Fitzpatrick said.

Meeting long-term natural gas needs

The Alaska LNG project will meet long-term energy goals that President Biden outlined in Brussels last week.

The U.S. just formed a joint task force with the European Commission with the goal to help European nations reduce dependence on Russian gas. Biden pledged to work with domestic and global partners to make sure that the European Union has the natural gas it needs for next winter.

Natural gas supplies are projected to increase in the U.S., Europe and Asia to meet demand through at least 2040.

“Meeting growing Asian LNG demand with Alaska’s natural gas will enable U.S. Gulf Coast LNG suppliers to focus on serving our European allies,” Fitzpatrick said. “Bringing Alaska LNG online will enable the U.S. to effectively serve allies in both Asia and Europe.”

Prior to Russia’s invasion of Ukraine, Sen. Dan Sullivan released a plan that focused on expanding domestic gas production, including in Alaska, as the U.S. developed its clean energy portfolio.

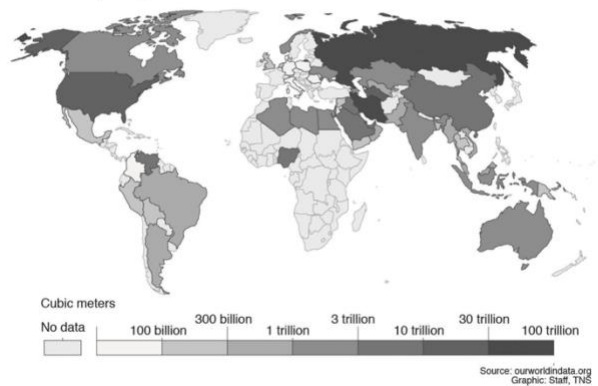
America leads the world in the decline of carbon emissions since 2005, powered by a greater reliance on natural gas.

Carbon Brief, which covers energy policy, reports that the drop in U.S. CO2 is driven by coal-to-gas switching in the power sector, as well as wind generation, among other factors.

Sullivan called for promoting natural gas exports with China, India and other major polluters that heavily rely on coal. China produces more than a quarter of global carbon emissions, with 60% of its power generated by coal.

World gas reserves, 2020

Proved reserves is generally taken to be those quantities that geological and engineering information indicates with reasonable certainty can be recovered in the future from known reservoirs under existing economic and operating conditions.



Court challenge over Alaska LNG

In 2022, the Alaska LNG project is nearly ready to go. Organizers are working to resolve legal challenges in federal court.

The Sierra Club and Northern Alaska Environmental Center in Fairbanks questioned the U.S. Energy Department’s approval of an environmental impact statement that did not fully examine carbon dioxide emissions.

A supplemental life cycle review was ordered to estimate the project’s impact starting from North Slope extraction and production to consumption by export customers. That work is expected to be done by December.

An initial study by the Alaska Gasline Development Corp. concluded that an Alaska LNG project would have significantly fewer emissions for gas exports than Gulf Coast LNG projects, which have longer shipping routes.

Natural gas on the North Slope would be drawn from existing wells in the Prudhoe Bay and Point Thompson fields, which is less intensive and produces fewer emissions than drilling shale gas wells in the Lower 48.

“Here we sit in Alaska, with the largest stranded conventional gas field in North America. No new wells need to be drilled because we re-inject more gas — that comes out with the oil — back into the ground on the North Slope every day than is consumed in California, Oregon and Washington combined,” Joey Merrick II, a former

board member of the Alaska Gasline Development Corp., wrote in an editorial about Alaska's natural gas resources.

Increase in demand for natural gas is not expected to ease anytime soon. Even before Russia's invasion, energy analyst Wood Mackenzie forecasted that global demand for natural gas will double through at least 2040, widening a gap between what's available and demand by consumers.

"Alaska's LNG supply is the equivalent of about 30% of Japan's LNG imports or 45% of South Korea's imports," Fitzpatrick said. "Meeting growing Asian LNG demand with Alaska's natural gas will enable U.S. Gulf Coast LNG suppliers to focus on serving our European allies."

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