

# Latest Alaska LNG report looks at community impacts

By Larry Persily [lpersily@kpb.us](mailto:lpersily@kpb.us)

Aug. 9, 2016

*(This is the first in a series from the Kenai Peninsula Borough mayor's office, reviewing the second set of draft resource reports submitted by Alaska LNG to federal regulators.)*

Included with Alaska LNG's second draft reports to federal regulators is an initial look at what the project could mean to jobs, wages, housing, schools, highways, ports, airports and emergency services across the state. The report on the project's social and economic effects frequently raises the issue of impact aid funds — negotiated between the state and project partners and disbursed by the state — to help deal with the additional demands on public services and community needs.

**Resource Report No. 5, Socioeconomics**, filed July 15 with federal regulators, says job seekers moving to and within Alaska could be significant during construction of the **multibillion-dollar North Slope natural gas project**.

"It is likely that some job seekers from the Lower 48 and within Alaska would be drawn to areas of Alaska where job opportunities would be created during project construction," the report says, similar to what happened in the 1970s during construction of the trans-Alaska oil pipeline. This temporary economic migration for perceived employment opportunities "could be substantial."

A shortage of housing "would not necessarily" deter job seekers, the report adds. And while some hopefuls would find work, "others would remain unemployed for the duration of their stay in Alaska."

A lack of support and financial assistance to municipalities prior to construction of the trans-Alaska oil pipeline led to overburdened law enforcement, medical and educational facilities, the report notes. The intent this time is to deal with the impacts up front.

**ALASKA LNG FILES 10 REPORTS**

[The socioeconomics report is among the 10 filed in July with the Federal Energy Regulatory Commission](#), as Alaska LNG continues its work toward assembling the soils, fisheries, air quality and other data needed for a complete application to FERC. An application would trigger the commission to start work on the project's environmental impact statement.

The July reports are the second set of drafts filed with FERC to solicit regulatory agency comments prior to the final reports and an application. The project sponsors — North Slope producers ExxonMobil, BP and ConocoPhillips, and the state — have not settled on a timeline for a FERC application or their next commitment of development funds.

Aside from well-paying direct and indirect project employment, many of the other jobs created in Alaska during construction — so-called induced jobs — “would be relatively low-paying jobs,” adding to the housing concern, the report notes. Those jobs could include restaurant, retail or lower-skilled service-sector employment. “The ability of these individuals to afford adequate housing,” the report says, “would be limited.”

To help with the situation, the report says, “Private charitable institutions in Alaska may choose to involve themselves in providing housing assistance to transients.” Transitional housing facilities in Anchorage and the Kenai Peninsula Borough, the report notes, “have little or no excess capacity.”

In addition, any housing shortage during construction could put pressure on rents, placing a financial strain on Alaskans whose incomes do not increase with the project.

“The potential impact of the project on local housing will be provided in the FERC application after construction workforce estimates are available,” the report says.

Help could come from impact aid, administered by the state, the report says, in particular if the municipal aid program covers the “increased need for housing, including affordable housing and related infrastructure and homeless shelters.”

## **IMPACT AID UNRESOLVED**

State officials and affected municipalities from the North Slope to the Kenai Peninsula have discussed a possible impact aid grant program, funded by \$600 million in contributions from the project sponsors in lieu of property taxes during construction. Details of the grant program for local governments, such as eligibility and disbursement rules, were discussed early in 2016 but not

resolved by the state-managed Municipal Advisory Gas Project Review Board. The program would require changes in state law.

However, state control of the LNG project, an option advanced this summer by the governor, could change the funding source of the impact aid program if the North Slope producers take a reduced ownership share in the project. Further details of a state-controlled option are anticipated later in the year or next.

Housing is not an issue for workers in direct, on-site project construction jobs, who would be required to reside in self-sufficient construction camps, commuting on rotation from designated pick-up locations and returned to those locations at the end of each work period. Depending on the camp location, workers would be bused or flown to the sites, with airports in Anchorage, Fairbanks, Kenai and Deadhorse the main transit hubs.

“The construction camps are expected to be closed, with workers required to remain within the camp while off duty,” until it’s time to head home for their weeks off, Alaska LNG says.

#### **KENAI AIRPORT WILL BE BUSY**

The single largest construction job of the project would be the gas liquefaction plant and marine terminal in Nikiski, with an average 41,000 shift-change worker transports a year between Kenai and Anchorage during the heaviest employment in the third through fifth years of a six-year construction job. At its peak, that would add about 52 percent to the passenger volume at the Kenai Municipal Airport, though the number of flights would increase just 9 percent as the project would use larger aircraft for its charters.

“Consultations would be held with the Kenai Municipal Airport to identify potential solutions to handle the increased passengers,” the report says.

Kenai Borough residents working at the Nikiski job site may be allowed to live at home, commuting to the work site each day.

Passenger traffic at Anchorage and Fairbanks airports would increase by 5 percent and 11 percent, respectively, at peak construction. The report says air charters would help reduce conflicts with summer tourism travel and lessen or avoid any disruption of commercial air travel.

“Due to the magnitude of project construction labor requirements,” estimated to peak at 12,000 direct jobs, and the specialized skills required for multiple positions, “some jobs would be filled by temporary workers coming from locations outside Alaska,” the report says. Many of those workers would come from the U.S. Gulf Coast, “a global center” for oil and gas activities.

Estimates of the number of people indirectly employed by the project, including Alaskans and relocated workers, will be included in the application to FERC. Information on construction payroll and wages during project operations also will be included in the final resource reports submitted to FERC with the project application.

Though the report lacks specific numbers for workers needed in each job category, it provides current (2014) statistics on how many skilled workers, by category, are underemployed or unemployed in Alaska, as an indication of the extent of an available workforce. For example, it shows that 582 electricians and helpers were working in comparable-paying jobs outside their occupation in Alaska in 2014, 245 were working in lower-paying occupations and 762 unemployed. Among plumbers, steamfitters, pipefitters and helpers, 397 were working outside the occupation, 216 were in lower-paying occupations, and 190 were unemployed.

#### **ADDED PRESSURE ON HOUSING, WAGES**

The indirect and induced jobs, and the job seekers, would put the greatest pressure on the smaller supply of temporary housing in the Kenai Borough, as opposed to the larger cities of Anchorage and Fairbanks, the report says. “Preparing for the housing demand in the borough during project construction may be difficult.” In particular, housing could be tight during summer tourist and sportfishing season, before the construction camp is built in Nikiski.

The full potential impact of the project on local housing will be provided in Alaska LNG’s application to FERC.

The second draft of the socioeconomics report also notes that the demand on community services and infrastructure would increase with the temporary boost in employment, in particular from workers not directly related to the project. At the same time as municipalities may need additional staff to provide services, “workforce retention may become an issue for some local governments, as high-paying project construction jobs may attract public service employees.”

Increases in the cost of living, particularly housing, may add to the problem. Wage inflation could

push employers to pay higher salaries as they compete for workers.

“The impact of immigration of people on public infrastructure and services will be provided in the FERC application,” the report says.

As to school enrollment, Alaska LNG does not expect the workforce would result in a need for any new schools around the state. “It is expected that relatively few incoming project construction workers would bring their families,” the report says, and those job seekers that move to Alaska with children “would be disbursed over several communities.” However, any new students would require additional state and local funding and could increase class sizes.

### **HEALTH CARE PROVIDERS COULD SEE IMPACTS**

“Another concern,” the report says, “is that some economic in-migrants would have no regular health care provider and would use hospital emergency rooms as primary care access points.” A lack of health insurance could add to uncollectable debt carried by health care providers. “The impacts to medical facilities and services” may be addressed by the state-administered impact aid fund, the report says. “Potential grant funds could be used for hiring additional medical personnel during the period of construction.”

The report also cites the impact aid program in its discussion of the additional workload on emergency services personnel and law enforcement agencies in the state.

Though it’s not all about drawing on impact aid to cover higher costs. The report notes that affected communities would receive additional revenue from the economic activity related to construction, such as municipal alcohol, car rental, hotel and sales taxes.

Fuel is another issue addressed in Report No. 5. Alaska LNG estimates it would need up to 7 million gallons per month of ultra-low sulfur diesel during peak construction demand. The report says the Petro Star refinery in Valdez and Tesoro refinery in Nikiski have “excess idle capacity” of about 11 million gallons per month and could handle the project’s fuel demand, except maybe in the summer when in-state demand is at its peak — during which, some fuel may need to be imported into the state.

Several hundred trucks would be needed to haul fuel and everything else to construction sites, and the report notes that trucking companies in Alaska have expressed concern over a forecast shortage of qualified truck drivers for the project. “Consultations would be held with the Alaska Truckers

Association to address this situation,” the report says, adding that training programs may need additional resources.

## **ROAD IMPROVEMENTS NEEDED**

State Transportation Department officials have told Alaska LNG that “some roads, highways and bridges would need improvements to bear the heavier and more frequent truckloads during project construction,” the report says. In addition, “portions of the Parks, Dalton, Seward, Sterling and Glenn highways may need to be refurnished” after construction to repair the wear and tear.

Without specifically answering who would pay for any needed improvements or repairs, the report says: “A potential highway use agreement may provide mitigation for construction-related impacts.” (Translation: It’s negotiable.)

Peak truck traffic along Alaska’s highways would be spread over five years, averaging about 14,000 truckloads a year on the Steese/Elliott/Dalton highways from Fairbanks toward Prudhoe Bay; 14,000 a year on the Seward/Sterling/Kenai Spur highways between Anchorage, Seward and Nikiski; and 19,000 loads a year on the Glenn/Parks Highway from Anchorage to Fairbanks.

Because traffic on the Dalton Highway to Prudhoe is much lighter than on the other, heavily traveled urban routes, Alaska LNG-related traffic during construction would boost average daily vehicle counts on the Dalton by about 50 percent, with only a single-digit percentage gain on the other highways. During peak work, the report says construction traffic could more than double the daily truck count on the Dalton Highway.

On the Glenn and Parks highways, truck pull-out areas, expanded truck weigh stations and additional passing lanes may be needed to accommodate construction traffic, the report says, though the project would maximize its use of the Alaska Railroad for moving freight to Fairbanks to reduce the load on the highway.

Hauling material from the ports at Anchorage and Seward to the LNG plant site in Nikiski would add to traffic on the Seward, Sterling and Kenai Spur highways. For example, looking at the Sterling Highway near the Skilak Lake Road intersection, about 40 miles southeast from the LNG plant site in Nikiski, Alaska LNG estimates about 90 trucks a day during peak construction. That would represent about a 3 percent increase in overall traffic at the location, but an 18 to 28 percent increase in truck traffic.

“Project-related traffic would contribute to the congestion that already exists along sections of the Seward, Sterling and Kenai Spur highways,” the report says. “The primary mitigation method for reducing additional traffic ... would be to use barges and other vessels as much as possible” to move material from Anchorage and Seward to Nikiski.

The report acknowledges “particular public concerns” about traffic on the Kenai Spur Highway to and from Nikiski, especially the project’s intent to relocate approximately 1.33 miles of the highway to the east of the LNG plant site for safety and security reasons. “It is anticipated that the relocation would be completed prior to the start of project construction,” the report says, providing no other information on a route selection timeline.

A lot of material would move by rail out of Anchorage and Seward. So much so that the Alaska Railroad has told Alaska LNG that it would need a two-year advance notice to obtain more railcars to handle the traffic. Even with the additional capacity, the report says, there is a risk that the increased freight traffic “could cause congestion in the rail system, particularly during the summer tourist season when the number of passenger trains increases substantially.” To help relieve that stress, the project would coordinate with the railroad to move freight trains at night as much as possible.

## **PORTS STATEWIDE WILL BE BUSY**

Several different ports of entry would be used, depending on their facilities and transport connection to construction sites:

- Anchorage would be the main port for containers and roll-on, roll-off truckloads from Seattle and Tacoma. At the peak of construction, Alaska LNG says project freight would add about 30 percent to the port’s annual container count. The report says the heaviest years of freight hauling would exceed the capacity of ships currently serving Anchorage, with enough demand to almost fill an additional ship on the route
- Seward would be used primarily for pipe and pipeline equipment. To ensure there is enough space to unload and stack each cargo of pipe segments, and to ease congestion at the port, Alaska LNG proposes using somewhat smaller vessels for deliveries. The report says it could take 120 days at the dock spread over three years to unload all of the pipeline shipments.
- Constant barge traffic would ferry materials to the LNG plant and marine terminal site in Nikiski, including approximately 10 barges on a weekly basis circulating between Anchorage,

Seward and Nikiski. Alaska LNG would build a “pioneer” barge landing (materials offloading facility) and then a much larger facility to handle all the seaborne deliveries, especially large production modules.

- Whittier, with its rail connection, would most likely be used as a port of entry for fuel deliveries.
- Dutch Harbor, in the Aleutian Islands, has often served as a U.S. Customs clearance port for modules on their way from overseas construction yards to Alaska’s North Slope, and Alaska LNG expects it would use the same “well-established customs entry process” for its deliveries.
- West Dock, at Prudhoe Bay, would be expanded with dredging, a new dock head, widening of the access road and development of a new staging area to handle the sealifts of gas treatment plant modules and other materials. Barge deliveries likely would be limited to July through August, and during peak activity would add about 80 percent to West Dock traffic over 2014 numbers, the report says.

Also along the waterfront, the report notes that set gillnet permit holders would be displaced during construction of marine facilities in Nikiski and across Cook Inlet near Tyonek, where the project would establish a barge landing and work area for laying pipe across the inlet to Nikiski. Lost revenues to the salmon fishing permit holders along the shores could total \$3 million during pipeline construction, the report says.

“Consultations would be held with affected set gillnet operators to mitigate potential economic losses during the construction period,” Alaska LNG says.