

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

March 22, 2021

3:30 p.m.

**MEMBERS PRESENT**

Senator Joshua Revak, Chair  
Senator Peter Micciche, Vice Chair  
Senator Click Bishop  
Senator Gary Stevens  
Senator Natasha von Imhof  
Senator Jesse Kiehl  
Senator Scott Kawasaki

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

Overview of Qilak LNG by Chair and CEO Mead Treadwell

- HEARD

Overview of the Alaska LNG Project by AGDC President Frank Richards

- HEARD

Remarks by Lorali Simon on Usibelli Coal and the AGDC presentation

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

MEAD TREADWELL, Chair and CEO  
Qilak LNG  
Anchorage, Alaska

**POSITION STATEMENT:** Presented an overview of Qilak LNG operations.

DAVID CLARK, Chief Operating Officer  
Qilak LNG  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions and provided information during the Qilak LNG presentation.

FRANK RICHARDS, President  
Alaska Gasline Development Corporation (AGDC)  
Anchorage, Alaska

**POSITION STATEMENT:** Presented an update on Alaska LNG.

LORALI SIMON, Vice President of External Affairs  
Usibelli Coal Mine  
Fairbanks, Alaska

**POSITION STATEMENT:** Presented information on Usibelli Coal and commented on the AGDC presentation.

#### **ACTION NARRATIVE**

[3:30:31 PM](#)

**CHAIR JOSHUA REVAK** called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Stevens, Bishop, Kawasaki, von Imhof, Kiehl, Micciche, and Chair Revak.

#### **OVERVIEW OF QILAK LNG**

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**CHAIR REVAK** announced the committee would first hear a presentation from former Lieutenant Governor Mead Treadwell on Qilak LNG.

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**MEAD TREADWELL**, Chair and CEO, Qilak LNG, Anchorage, Alaska, referenced the written testimony he submitted and began the slide presentation with a review of his role in helping the state commercialize North Slope gas. He related that as lieutenant governor he worked with the legislature to focus on shipping gas to Asian markets. This was the beginning of the Alaska Gasline Development Corporation.

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**MR. TREADWELL** turned to slide 2 and reminded the members that ExxonMobil, Hilcorp, and ConocoPhillips own 32.4 Tcf across gas

fields on the North Slope with probable gas reserves of 100 Tcf. However, previous efforts to commercialize the gas through a pipeline have proven to be too expensive and uncompetitive. He offered his view that the Yukon Pacific project did not go forward because the cost of gas was not enough to make up for the lost oil. There were also several projects that tried to take gas down the Alaska highway, but the cost of getting the gas to the hub in Calgary was more expensive than the value of gas at the hub. While Alaska was working on the latest project to take gas across the state, Yamal LNG in Russia proved the economic viability of Arctic LNG using icebreaking LNG tankers to export LNG throughout the year. He highlighted that compared to the Yamal Peninsula, Point Thomson on the North Slope is 2,000 miles closer to the maximum ice edge in the Arctic Ocean and Bering Straits.

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MR. TREADWELL advised that the first exports of Yamal LNG were about 16.8 million tons per annum (MTPA). This plant is a little larger than what was discussed for the Yukon Pacific gasline and a little less than the AGDC gasline. He noted that Jamal decided to go to floating near shore LNG facilities for its next projects. The proposed LNG projects in the Russian Arctic include Arctic LNG 1 and 2 each of which will be 16.5 million tons per annum (MTPA). Current estimates are that 4-5 cargo ships per day or 1,500 to 1,800 tanker shipments per year will come from Russia through the Bering Straits headed to the Asian market.

MR. TREADWELL stated that Qilak LNG looked at doing this on the North Slope and ultimately entered a Heads of Agreement with ExxonMobil, operator of the Point Thomson Unit (PTU). The concept is to condition the gas onshore and ship it through a subsea pipeline 6-9 miles into federal waters to a gravity-based structure (GBS) that would be grounded in about 45 feet of water. This would be deep enough to provide a turning radius for the tankers and far enough from shore to avoid conflict with subsistence whaling. He noted that food security is a core value of the company.

MR. TREADWELL directed attention to the pictures of three ice-class LNG tankers on slide 5. He explained that the bows are specifically designed for navigation in open water with much greater efficiency than older style icebreakers. The Yamal LNG project has 15 Korean made Mark 1 vessels in operation and 6 Mark 2 vessels are on order for the Arctic LNG 2 project. Qilak's feasibility study found the newer vessels cost less, are

more powerful, and more efficient. The cost per vessel is about \$290 million.

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MR. TREADWELL pointed out that the efforts to build a multi-billion dollar pipeline across the state does not get the gas much closer to market; the difference between shipping from the North Slope to Tokyo and Cook Inlet to Tokyo is just 40 miles.

He related that when the Qilak LNG Project was announced in 2019, offtake was identified in China and the Philippines. Since then the company has signed agreements with two Japanese trading companies for offtake and one transshipment operation. He offered his belief that the capacity for project offtake was more than double what is needed for the project.

MR. TREADWELL highlighted that the new Secretary of Energy supports LNG exports as a cleaner energy and is hopeful that the industry can reduce its own emissions. He opined that Qilak is in a good place. It is starting with conventional gas, the CO<sub>2</sub> can be sequestered in the field, and operating in very cold temperatures will significantly improve efficiency for the liquefaction. New technology will be used such that the refrigerant component will not be an emitter. Savings will also be realized through the shorter distance to Japan compared to other U.S. markets. Additionally, senior members of the Japanese government and others have expressed interest in the feasibility studies to further reduce greenhouse gas emissions. This includes the possibility of bringing carbon dioxide back to Alaska for reinjection in fields that can use it for enhanced oil production such as Cook Inlet.

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MR. TREADWELL emphasized that the Qilak LNG is America's best choice for LNG, and it will be of great benefit to Alaska. He urged the legislature to support the project and similar companies that want to invest private capital in Alaska to pioneer a breakthrough for Alaska gas development. He also encouraged the legislature to ask the Alaska Energy Authority (AEA) to update its past work on LNG deliveries to coastal communities given the potential of the supply, the existing potential of Russian and Canadian containerized LNG supply and advancements in ISO containers that make LNG supplies to small communities more viable.

He said support from the state and federal government as well as the North Slope Borough is essential. He mentioned getting

approval of royalty gas sales associated with the project when it is appropriate, and the importance of a stable tax structure to secure financing. He said they are not looking for state support but they do anticipate Alaskans having some ownership of the project and they believe AIDEA has the legal authority for that.

MR. TREDWEALL mentioned the right the state has to transit federal land to develop its resources and noted that the project will need to cross federal land to put the gravity-based offshore structure in place. He also mentioned that he and Lieutenant Governor Meyer have been working at the university level on screening technologies to reduce greenhouse gas emissions. Finally, he expressed hope that the agreement between the Department of Natural Resources that has yielded constructive talks and personal ties, will be renewed at the appropriate time.

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SENATOR VON IMHOF asked if the \$5 billion initial prefeasibility cost estimate for the project includes the gas conditioning plant, the pipeline extending six miles offshore, and the equipment that is needed.

MR. TREADWELL replied the \$5 billion covers everything except the conditioning plant, and noted that the Heads of Agreement looks at the Point Thomson Unit to provide the conditioning. He acknowledged that the feasibility study prior to feed looks at including the conditioning offshore or in another configuration onshore.

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SENATOR VON IMHOF asked what he knows about financing options for offshore gas, because financing options for offshore oil drilling is drying up.

MR. TREADWELL mentioned redlining efforts by certain global banks against Arctic production and opined that every project should be evaluated on its own merits. He added that on its own merits, Qilak LNG will produce conventional gas and require very little infrastructure. He acknowledged that a couple of banks were not interested, but there has been no appreciable problem with redlining.

SENATOR VON IMHOF asked if the investment in Yamal LNG is comparable to Qilak LNG projections and if they are getting a return.

CHAIR REVAK asked him to begin his response with information about how long Yamal LNG has been operating.

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MR. TREADWELL responded that project was heavily subsidized initially with the icebreakers and it probably was not needed in the second round. He noted that the anticipated production is equivalent to 5 or 6 of the AGDC pipelines or 25 Qilak projects. He offered his belief that Qilak can beat them on transportation economics, distance, greenhouse gas emissions, security, and diversity. He deferred the question about the specific economics of Jamal LNG to David Clark.

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DAVID CLARK, Chief Operating Officer, Qilak LNG, Anchorage, Alaska, stated the economics on phase one is difficult to project because the Russian government subsidized the port development, but the intention on the second project is to expand LNG production to 60-80 million tons per year. He described the Qilak project as very competitive.

SENATOR MICCICHE asked how the project competes with traditional tidewater producers.

MR. TREADWELL replied Alaska has a better climate, better transportation, no competing gas prices at the well head, no Panama Canal to contend with, and the overall cost of production is competitive with other supplies. Qatar and Russia are trying to expand market share and this last week the U.S. broke its own export record. He offered his belief that Qilak is competitive in that marketplace and the buyers indicate the same.

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SENATOR VON IMHOF offered her understanding that even if the State of Alaska does not invest in the Qilak project, it still makes money in its royalty-in-kind or royalty returns.

MR. TREADWELL answered that is correct.

SENATOR VON IMHOF asked what Qilak LNG needs from the state for the project to move forward if there are investors that deem Alaska's gas as viable and competitive.

MR. TREADWELL replied state attention will be important in the royalty discussions, and the ability for Alaskans to own a piece of the project through AIDEA financing could be helpful as the

company goes for global financing. The intention today is to update the committee on Qilak's efforts and enlist the legislature's moral support.

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SENATOR BISHOP suggested that if and when he returns with financial requests, he should be prepared to talk about how the company will engage with Alaska contractors and Alaska labor to build the project.

MR. TREADWELL confirmed that he would be happy to do so. He added that the focus now is to pioneer a competitive way to do direct export. It will be Alaskans operating the project. Negotiations are underway with a shipping company to work with Alaskans as joint venture partners. It is important for the North Slope Borough to be involved as the conditioning plant and pipeline will likely have an ad valorem tax component. He said it would help if the legislature were to urge the Alaska Energy Authority to redo its studies on local gas distribution with ISO containers. He committed to do everything possible to make gas available for distribution in Alaska.

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SENATOR MICCICHE said he looks forward to the fiscal comparison with the tidewater producers. He asked if the economics of the project are based partially on coastal tanker distribution like what occurs in Japan and Norway or primarily on mainline offtake.

MR. TREADWELL answered the company is talking with three entities in Japan that are following a national plan to be a transshipper of energy to other Asian ports. To the question, he said the closest port would be Japan, northern Korea, or China with transship smaller tankers for markets beyond.

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CHAIR REVAK thanked him for the presentation.

### **Overview of the Alaska LNG Project**

[3:59:41 PM](#)

CHAIR REVAK announced the next order of business would be a presentation from Frank Richards on the Alaska LNG Project.

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FRANK RICHARDS, President, Alaska Gasline Development Corporation (AGDC), Anchorage, Alaska, began the presentation

explaining that AGDC was created by the Alaska State Legislature with the goal to maximize the benefit of Alaska's North Slope natural gas resources through development of infrastructure to move gas to local and international markets.

MR. RICHARDS reviewed the history of AGDC paraphrasing slide 3.

- 2010 - HB 369 instructed AHFC to conduct a pre-feasibility study of a small diameter pipeline from the North Slope to Fairbanks and south-central Alaska.
- 2013 - HB 4 created the Alaska Gasline Development Corporation (AGDC) in AS 31.25, giving broad powers and funding to advance the Alaska Stand Alone Pipeline Project ("ASAP").
- 2014 - SB 138 gave AGDC authority to represent the SOA in the LNG terminal of the Alaska Liquefied Natural Gas Project ("Alaska LNG").
- 2016 - State of Alaska bought out Trans Canada and AGDC was granted the entire 25% SOA share in AKLNG.
- 2016 - Pre-Front End Engineering and Design ("Pre-FEED") was completed and the Producers, based upon the economics resulting from that work, stepped aside to allow AGDC to continue working the project.
- 2017 - AGDC assumed 100% ownership of Alaska LNG Project.
- 2020 - FERC granted AGDC authorization to construct Alaska LNG Project.

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MR. RICHARDS directed attention to the flowchart on slide 4 and explained that in early 2020 AGDC's board of directors asked for a review of the Wood Mackenzie work in 2016 that identified the Alaska LNG Project as uneconomic due to cost and develop a plan going forward. The corporation developed a strategic plan to look at the competitiveness of the project and the ways to reduce the overall cost of supply as well as ways to move the project forward by returning to private sector led development. In 2018 Governor Dunleavy gave clear direction to the corporation to bring the private sector back to development and oversight of the project.

MR. RICHARDS stated that the proposed structure of the project is based on a tolling model. This is very different than the

equity model originally envisioned by the producers or the debt for equity model proposed by former Governor Walker. The proposed commercial structure of the project is non-integrated to attract a range of investors who will focus their investment in specific asset classes and risk return profiles. This will allow the gas treatment plant and pipeline to be established as tolling facilities, which is in line with the guidance from Wood Mackenzie in 2016. Companies with specific technical capabilities may be attracted to the project without exposure to risk of other components of the project. Pipeline companies can focus on the pipeline while energy companies can focus on the LNG plant. This is similar to the Gulf of Mexico LNG project, and the project LNG Canada is pursuing that has separate investors for the pipeline and LNG plant.

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MR. RICHARDS reviewed the summary of the alignment of the strategic parties that appears on slide 6:

- Advancing the structure and leadership of the project with Strategic Parties consisting of:
  - North Slope producers
  - A major pipeline developer
  - LNG buyers
  - Banks and financial corporations
- These parties have the technical and financial capacity to bring this project to completion.
- Strategic parties have a combined market capitalization of \$1.25 trillion.
- New potential strategic parties with significant market capitalization have approached AGDC.

MR. RICHARDS explained that the work over the last several years included identifying strategies to reduce the overall cost of the project \$8.5 billion to bring the total installed cost to \$38.7 billion. This allowed the project to move through the economic stage gate to advance to the entry into the feed gate. The project has received the necessary approval from the Department of Energy to ship to both Free Trade Agreement and Non-Free Trade Agreement countries. This means there is no limitation on the sale of the LNG in Asian markets. Along with the Federal Energy Regulatory authorization to build the facilities, the Alaska Oil and Gas Conservation Commission gave offtake approval for up to 3.6 Bcf/day of gas from the North Slope. The corporation is also continuing to engage with and ask for support from both the state and federal governments to advance the project and make it more viable into the future.

MR. RICHARDS stated that the corporation has good support from Point Thomson Unit operators as well as the Prudhoe Bay operators and has agreed upon indicative terms for the gas supply. Consideration is given for these parties to participate in the gas treatment plant as both owners and operators. A leading North American pipeline company has agreed to participate, and there is strong interest from infrastructure banks to promote the tolling strategy. The corporation has also had continuing discussions with Asian markets about offtake from Alaska. A final component of the world-class partnership the corporation is building is a project lead for the liquefaction facility. The corporation has been talking to leading LNG operators around the world to stimulate interest.

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MR. RICHARDS turned to slide 9 that provides an overview of the Alaska LNG Project. He explained the project will utilize about 34 trillion cubic feet (Tcf) of produced conventional natural gas resources from Point Thomson and Prudhoe Bay. The gas stream will be combined at Prudhoe Bay where it will be conditioned. The CO<sub>2</sub> will be extracted and reinjected into the reservoir, not released into the atmosphere. The gas will pass into an 807 mile, 3.3 Bcf/day, pipeline and flow to tidewater in Nikiski. A 20 million ton per year liquefaction facility and loading berth will be built in Nikiski to accommodate two cargo ships daily to ship the offtake to Asian markets. He noted that the Alaska LNG project meets low carbon LNG standards because it utilizes power generated from hydroelectric facilities to power the plant.

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MR. RICHARDS reported that in 2020 the Alaska LNG Project concluded its work with the regulatory entities and was designated a FAST-41 project, meaning it could meet schedules designated by federal agencies. In 2020 AGDC received all federal permits including the EIS, FERC order, 404 permit, EPA 401 certification, incidental take regulations, and incidental harassment authorization for protected marine species. With receipt of the state right of way, the project has 90 percent of the rights of way in hand for the gas conditioning facility and pipeline.

MR. RICHARDS paraphrased the cost reduction work outlined on slide 11, which read as follows:

- AGDC analyzed and updated the total capital and operating cost projections of the AKLNG project from the 2015 Joint Venture Agreement estimates.
- AGDC worked with senior engineers and project management professionals from BP and ExxonMobil to review original cost estimates and concluded that, with changes in the industry, costs could be reduced significantly.
- AGDC contracted with Fluor Corporation to evaluate cost reduction opportunities and update the Class 4 Cost Estimate.
- Updated Class 4 Cost Estimate with input into project economic model developed with input from BP, ExxonMobil, DOR, and an investment bank.
- Outcome was decision by Board of Directors that Alaska LNG Project is commercially and technically viable.

He said the foregoing work validated that the \$38.7 billion is representative of the cost to bring the project forward.

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MR. RICHARDS displayed the bar graph on slide 12 that shows in [2015] the cost estimate of Alaska LNG delivered to Asia was about \$12 per million Btu (MMBtu). With the cost estimates and optimizations described earlier, the cost estimate is about \$7.40/MMBtu. This is in the middle of the competitive field. Noting that the Qatar Expansion is the lowest cost project and would be hard to beat, he opined that the efforts AGDC has undertaken to reduce costs is indicative of the opportunity for Alaska and private sector parties to market and move the Alaska LNG Project forward.

He offered his belief that there were ways to continue to optimize the project to make it more economic. He pointed to the waterfall chart on slide 13 that identifies variables such as the cost of the gas at the wellhead, federal loan guarantees, property tax or payment in lieu of taxes (PILT), and other cost optimizations regarding plan development. To achieve this, it will take work from the administration and the legislature to discuss PILT and fiscal stability. He agreed with Mr. Treadwell that the state needs a stable fiscal regime so any potential investors know the tax structure will not change. The other factor is that Alaska is an order of magnitude higher than any other jurisdiction for property taxes or payment in lieu of taxes. For example, Alaska is about 15 times higher than

jurisdictions in Louisiana and Texas are paying for property taxes for gas plants. Alaska has the opportunity to make itself more competitive by identifying ways to lower property taxes as well as providing ownership opportunities to boroughs in lieu of the tax rates. He added that since AGDC currently owns 100 percent of the Alaska LNG Project, the state needs to decide by what percentage that ownership should be diluted by private sector investment.

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MR. RICHARDS explained that the line chart on slide 15 reflects what happened to LNG prices because of COVID-19. At the beginning of the pandemic in 2020, the spot market range of LNG was \$2 to \$3. When winter came on the price in Asia jumped about 15 times to about \$35/MMBtu and then settled in the \$5 to \$6 range. He commented that companies that had gas to sell in January made a significant amount of money.

MR. RICHARDS turned to the chart by Global Strategies that projects global LNG supply and demand from 2020 to 2050 should decarbonization initiatives be put in place. The orange line shows partial transition because of a slight delay in the decarbonization efforts. The purple line reflects a delay of about 10 years to shift from coal to LNG or ultimately hydrogen. the blue line shows a potential peak of LNG at about 800-900 million tons per year (Mt/year) and then a potential reduction due to the creation of a hydrogen fuel and hydrogen delivery mechanism to meet demand. He said this is the first time we've seen the potential that if Alaska's natural gas is not brought to market until 2050 or 2060, it may not be brought to market.

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MR. RICHARDS highlighted some of the realities about decarbonization that ensure that LNG will continue to play a role as a bridge fuel for the next several decades:

- On February 8th, the Department of Energy projected that coal and natural gas will still contribute nearly 40% of U.S. electricity generation in 2050.
- Wind and solar power energy sources will increase but they aren't ready to meet the huge demand for electricity without fossil fuels and nuclear power in the mix.
- China is the world's biggest polluter, generating 28% of the planet's yearly carbon dioxide emissions.

MR. RICHARDS offered his perspective that the Alaska LNG Project will have significant positive effects on Alaska for decades to come. It could provide an outlet for associated gas from potential oil finds on the North Slope, which would reduce the overall risk for those operations. The state can monetize the tremendous resources on the North Slope to help the treasury. Construction and long term operation of these projects will provide high paying private sector jobs well into the future. He projected that AGDC will be able to provide cleaner energy to Alaskans along the pipeline route and potentially to isolated villages either down the river system or through ISO containers. He opined that in the future there is the potential for blue hydrogen production from natural gas, and the basin in Cook Inlet would fit hand-in-hand as a potential carbon sequestration sink.

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MR. RICHARDS mentioned the impacts COVID-19 had on the Alaskan economy and related that AGDC talked with Governor Dunleavy about potentially phasing the Alaska LNG Project to provide lower cost and cleaner energy to the Interior. Developing the gasline from Point Thomson to Fairbanks as an infrastructure project could take advantage of federal stimulus funds and help the state move toward economic recovery.

He reviewed the positive effects this first phase infrastructure project could have on the Alaska economy:

- Potential to attract stimulus and private funding to quickly create jobs and revitalize Alaska.
- Phase One opportunity: \$5.9 billion clean energy infrastructure initiative.
- Immediately ignites our economy, put thousands of Alaskans back to work.
- Resolves longstanding climate, pollution, and energy problems affecting rural and urban Alaskans.
- Alaska LNG is unique; the project has major permits required to start Phase One work now.

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MR. RICHARDS stated that the map on slide 22 identifies that phase one is a pipeline project. It uses Point Thomson gas initially because it does not need as much conditioning to remove the CO<sub>2</sub>. It flows into the 32 inch, above ground Point

Thomson transmission line to a future gas treatment plant, then through the 42 inch mainline to Fairbanks. He said the estimated cost is \$5.9 billion and the project could proceed quickly because the designs and authorizations to move forward are in place. Importantly, this would significantly reduce the risk of the full-scale Alaska LNG Project. AGDC would be working with the private sector to develop and execute the project.

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MR. RICHARDS reviewed the directives in the (2014) Letter of Intent for Senate Bill 138:

- Employ Alaska residents and contract with Alaska businesses to the extent they are qualified, available, ready, willing, and cost competitive.
- Use, as far as practicable, job centers and associated services operated by the Department of Labor and Workforce Development.
- Participate with the Department of Labor and Workforce Development to update the training plan for an LNG export project including main operations.
- Advertise for available positions locally and use, as far as practicable, Alaska job service organizations to notify the Alaska public.
- Work with the Department of Labor and Workforce Development and other organizations to provide training.

MR. RICHARDS highlighted the potential economic stimulus associated with immediately starting phase one:

- Propels a near-term economic recovery for Alaska:
  - \$1.5 billion impact in first 24 months
  - 1,400+ high-paying direct jobs
  - 20,000+ indirect jobs
- Immediate benefit to hardest-hit service industries (e.g., restaurants, hotels, transportation, warehousing, etc.).
- Delivers natural gas to Interior Alaska in 2025.
- Private sector leadership:
  - Build and operate
  - Invest capital in ownership depending on level of Federal infrastructure funds available to Alaska

- Will significantly decrease gas supply costs.
  - 75% Federal infrastructure support: \$15 MMBtu
  - 100% Federal infrastructure support: \$5 MMBtu
- Will provide cleaner air.
  - Some of the worst air quality in the nation.
  - Bring relief to residents with no alternative to diesel or wood.
- Will boost military readiness and efforts to alleviate climate impacts.
- Will reduce costs for producing minerals.

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MR. RICHARDS emphasized the need to balance environmental and energy needs as the nation shifts to renewable sources of power. He quoted excerpts from an article published by the Progressive Policy Institute that support that perspective:

"Natural gas will play an indispensable role in managing the risk that a precipitous leap to renewables will make electricity more expensive and potentially less reliable."

"Political debate around energy and climate policy often presents Americans with a false choice between natural gas and renewable energy - the two are intertwined."

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MR. RICHARDS highlighted the opportunities associated with utilizing federal stimulus funds for the phase one infrastructure project:

- Fund the project alongside private sector Lead Party:
  - Owner Builder Operator (OBO) would invest capital.
  - OBO to receive minimum return ahead of any State payback.
  - Gas is delivered to Fairbanks for \$5 - \$15/MMBtu depending on Federal infrastructure funding.
- Significantly de-risks Alaska LNG.

- Once Alaska LNG is sanctioned by investors, gas prices normalize to under \$5/MMBtu in Interior and Southcentral Alaska.
- The Alaska LNG project final phase will bring additional job creation.
- Alaska LNG's clean-energy infrastructure positions Alaska to remain a major energy exporter far into the future by exporting LNG and eventually hydrogen.

MR. RICHARDS reported that AGDC is working with the Alaska Congressional Delegation, the Biden Administration, and leadership in Congress to demonstrate that Alaska has an infrastructure project that could provide for economic opportunities nationwide. Alaska would benefit from the pipeline but the materials for the project would come from Lower 48 factories and heavy equipment manufacturers.

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MR. RICHARDS reviewed the AGDC component in the Governor's FY22 budget proposal:

- FY22 Operating Budget:
  - No new capitalization needed
  - \$3,081,600 authorization
    - 10% reduction from FY21
    - Authorizes use of funds from Alaska LNG Project Fund
  - Future funding sources
    - Statutory Designated Program Receipts
      - \$50,000,000 (private sector funds)
    - Federal Receipt Authority
      - Economic Stimulus/Infrastructure Funds
- AGDC will continue to:
  - Advance Alaska LNG Project towards FEED Stage Gate.
  - Transition leadership to private sector lead parties.
  - Maintain maximum value of State of Alaska investment.
  - Work with state and federal entities on additional ways to optimize.

MR. RICHARDS concluded the presentation saying the foregoing is a quick overview of AGDC's work over the last year on the Alaska LNG Project.

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SENATOR VON IMHOF asked why he was confident that federal stimulus funds would be authorized for this project when the Biden Administration recently cancelled the Keystone Pipeline.

MR. RICHARDS replied it will be an uphill battle but the funds certainly would not be available if they didn't march up that hill. It's an opportunity to put Alaskans back to work in the near term.

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SENATOR MICCICHE pointed out that a real threat to the project is that the current administration has people who have intervened in the permitting of every natural gas and LNG project in the last 20 years.

MR. RICHARDS replied it is an excellent point but they are trying to identify the project as an opportunity to build critical infrastructure for Alaska. He acknowledged that it does not fit within the green energy goal, but it does provide opportunities to improve air quality around Fairbanks and provide cleaner energy to villages that are reliant on diesel. The potential in the second phase to use methane molecules for blue hydrogen production is also worthy of consideration.

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SENATOR MICCICHE asked if he was envisioning a parallel path for private investment in the second phase that could happen at the same time as the first phase because it is difficult to look at the economics of the first phase if the second phase isn't a reality.

MR. RICHARDS confirmed that phase one is not an economic standalone project. Rather, it is the initial phase of the full scale Alaska LNG Project that is envisioned to proceed in parallel.

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SENATOR KAWASAKI highlighted that the need for lower cost cleaner energy is not only for the residential market but also for the multiple military installations in the state.

SENATOR KAWASAKI pointed out that the pipeline is actually about 70 miles west of Fairbanks and a lateral line is supposed to reach into Fairbanks. He asked if the lateral line and gas treatment plant ARE part of the \$5.9 billion estimate.

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MR. RICHARDS answered that the main fuel line terminates near the Chatanika River about 30 miles west of Fairbanks. The lateral 12-inch line is a sufficient size to meet the needs in Fairbanks and the private sector will have an opportunity to develop that. It is not included in the Alaska LNG authorizations so it was not included in the original request.

[4:40:09 PM](#)

CHAIR REVAK referenced the graph on slide 12 that compares the competitiveness of Alaska LNG in 2015 and 2021 compared to other jurisdictions around to world. He said he supports the idea and potential for lower cost energy and jobs, but he worries about how competitive the project might be and therefore the risk that the state might be subsidizing the gas in the future. He asked if it would be possible to get an updated competitive analysis.

MR. RICHARDS replied the chart is up to date. The first bar on the left reflects the cost of supply in 2015 dollars but the rest of the bars reflect 2020 dollars. The Alaska LNG (2021 unoptimized) price is based on cost reductions from 44.3 in 2015 dollars to 38.7 in 2021 dollars. This was the economic stage gate they went through with the AGDC Board of Directors to show the potential for a competitive project midway between the other 12 jurisdictions. He acknowledged that it would take additional work, opportunities, and optimizations to be competitive with the lower cost projects. This entails discussions about payment in lieu of taxes, federal loan guarantees currently available, and additional optimization to the construction and operations.

Responding to the question about risk to the state, he said the state has to decide the percentage of ownership it wants to retain for this project. If the decision is for the project to be 100 percent private, the only risk to the state would be the tax revenues if it did not go forward.

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CHAIR REVAK thanked him for the presentation.

#### **USIBELLI COAL**

[4:43:58 PM](#)

CHAIR REVAK announced the final order of business would be to hear from Lorali Simon with Usibelli Coal.

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LORALI SIMON, Vice President of External Affairs, Usibelli Coal Mine, Fairbanks, Alaska, encouraged Alaskans to visit the company's website at [usibelli.com](http://usibelli.com) for more information. She reported that Usibelli provides coal to six powerplants in the Interior. Without this coal, annual energy costs for the 100,000 people in the area would be \$140 million higher, and these ratepayers are already paying among the highest rates in the nation.

MS. SIMON advised that she could comment on what she heard today and set the record straight when necessary. She referenced the statement on slide 9 of Mr. Richard's presentation that says, "Gas will meet the needs of local markets, reducing use of highly polluting fuels in interior Alaska."

She questioned how realistic it is to say that coal will be replaced by natural gas in Interior Alaska when Fairbanks and adjacent communities rely on coal for about 30 percent of their energy needs and there is no ready alternative. She said the Alaska LNG Project is not viable without significant government subsidy and AGDC acknowledges that on slide 20.

[4:46:03 PM](#)

MS. SIMON stated that numerous air quality monitoring studies have disproved the claim that the particulate matter (PM) issue in Fairbanks comes from powerplants. She said environmental regulators agree that the best way to improve air quality in Fairbanks is for homeowners who rely on wood for heat to burn dry firewood. To that end, a wood kiln that provides dry firewood is now operating in the community.

She cited slide 25 of the AGDC presentation and said the implication is that the military will benefit from the Alaska LNG Project. However, Eielson Air Force Base recently rebuilt its coal-fired boilers and an EIS process is underway at Fort Wainwright. She said these military bases have enjoyed energy security from coal for decades, and switching to an alternative fuel would result in massive cost increases. The University of Alaska, Fairbanks foresaw and avoided these price hikes by continuing to use coal. Additionally, Governor Dunleavy identified the draft EIS at Fort Wainwright as inadequate and questioned switching from coal citing the negative impacts on

ratepayers in the area, Doyon, Limited and its shareholders, and the private sector jobs that Usibelli provides.

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MS. SIMON observed that slides 20 and 21 infer that the Alaska LNG Project will help meet the Biden Administration's low carbon initiatives. However, President Biden does not consider natural gas resources and building gas pipelines as a way to achieve his zero carbon initiatives. In fact, President Biden has issued numerous Executive Orders to stop further development of natural gas resources, including pipelines. As Senator von Imhof mentioned, he halted the Keystone Pipeline, and he also issued a moratorium on all federal activities related to oil and gas leasing on the Coastal Plain of the Arctic National Wildlife Refuge (ANWR).

MS. SIMON concluded that some gas developers consistently discount the role and value of coal plants in Interior Alaska. She suggested that the focus instead should be on technological innovation to help reduce emissions as well as the cost and benefits to public health, the environment, and the economy.

She invited the committee to attend the Resource Development Council meeting on April 1 to hear a presentation titled, "Hidden in Plain Sight, Alaska's Energy Solution."

[4:49:07 PM](#)

SENATOR BISHOP commented that the some years ago the National Park Service issued a report on air quality and Denali National Park was found to have the cleanest air of any national park in the nation. It is about 30 miles from a coal fired powerplant.

[4:49:35 PM](#)

CHAIR REVAK thanked Ms. Simon for the presentation.

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There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:50 p.m.