

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

November 19, 2024

1:00 p.m.

MEMBERS PRESENT

Representative Tom McKay, Chair
Representative George Rauscher, Vice Chair
Representative Thomas Baker (via teleconference)
Representative Kevin McCabe
Representative Dan Saddler
Representative Stanley Wright
Representative Jennie Armstrong (via teleconference)
Representative Donna Mears
Representative Maxine Dibert (via teleconference)

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representatives Julie Coulombe,
Representative Alyse Galvin
Representative Neal Foster
Representative Cathy Tilton

COMMITTEE CALENDAR

PRESENTATION(S) : COOK INLET/ROYALTY RELIEF UPDATE

- HEARD

PRESENTATION(S) : AK LNG UPDATE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOHN CROWTHER, Deputy Commissioner
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-offered the Cook Inlet/Royalty Relief Update presentation.

DEREK NOTTINGHAM, Director
Division of Oil and Gas
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-offered the Cook Inlet/Royalty Relief Update presentation.

WESTON NASH, Commercial Analyst
Division of Oil and Gas
Alaska Department of Natural Resources

POSITION STATEMENT: Co-presented a PowerPoint, titled "Cook Inlet Oil & Gas Update."

NICHOLAS FULFORD, Senior Director
GaffneyCline
Houston, Texas

POSITION STATEMENT: Presented a PowerPoint, titled "Cook Inlet Royalty Analysis."

COSTA SWIFT, Vice President
Upstream and Carbon Management Consulting Team
Wood Mackenzie
Sydney, Australia

POSITION STATEMENT: Presented a PowerPoint, titled "Economic viability assessment and economic value of Alaska LNG project - Phase 1," during the AK LNG Update presentation.

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

POSITION STATEMENT: Presented a PowerPoint, titled "Alaska's Energy Future: The Alaska Gas Pipeline" during the AK LNG presentation.

NICK SZYMONIAK, New Business Ventures Manager
Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: As an invited testifier, answered questions during the AK LNG Update presentation.

ACTION NARRATIVE

[1:00:45 PM](#)

CHAIR TOM MCKAY called the House Resources Standing Committee meeting to order at 1:00 p.m. Representatives Wright, McCabe, Mears, Saddler, Rauscher, Baker (via teleconference), Dibert (via teleconference), Armstrong (via teleconference), and McKay were present at the call to order. Other legislators present were Representatives Coulombe, Galvin, Foster, and Tilton. Also present on-line were Representatives Cronk, Representative Tomaszewski, and Dibert.

CHAIR MCKAY noted the following legislators-elect were present: Mia Costello, Chuck Kopp, Elxie Moore, and Jubilee Underwood.

PRESENTATION(S): COOK INLET/ROYALTY RELIEF UPDATE

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CHAIR MCKAY announced that the first order of business would be the Cook Inlet/Royalty Relief Update presentation.

[1:05:23 PM](#)

JOHN CROWTHER, Deputy Commissioner, Alaska Department of Natural Resources, introduced a PowerPoint presentation [hard copy included in the committee packet], titled "Cook Inlet Oil & Gas Update."

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DEREK NOTTINGHAM, Director, Division of Oil and Gas, Alaska Department of Natural Resources, explained the importance of Cook Inlet gas to the State of Alaska. It provides 70 percent of electrical and heat power to the state, serving approximately 500,000 people primarily in the Anchorage Railbelt.

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MR. CROWTHER noted that Cook Inlet development involves Cook Inlet oil production as well, which meets some state fuel needs.

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MR. NOTTINGHAM continued the presentation with an overview of the history of Cook Inlet gas and oil production beginning in 1958. Cook Inlet has produced over 104 billion barrels of oil and 12 trillion cubic feet (tcf) of gas from 26 producing fields and 8 different companies. Gas production had been declining

since 1990. He discussed the potential of remaining resources, pointing out the potential for 14 tcf of conventional gas in the Cook Inlet Basin located in an area of approximately five million acres, some of which is in inaccessible lands such as wildlife refuges or in areas which would not be economically viable. He described the bidding and leasing processes specific to Cook Inlet, defining oil and gas units and how they relate to the lease processes. He explained how primary lease terms would be extended when a company begins to produce commercially from that lease. He also described how the division manages surface and subsurface resources, maximizing recovery and efficiency using annual development plans. He reviewed the different types of leases and the number of years those leases would encompass as well as several types of exploration leases. He talked about how the leases could be extended beyond exploration to production or be returned to the state and become available to other companies for potential future leases. He explained that oil units and gas units are managed by annual development plans.

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MR. NOTTINGHAM resumed his presentation by describing lease sale results in 2024, pointing out the very competitive leasing terms that were offered in order to attract new investment. The primary bids were from Hilcorp Alaska. He directed the committee's attention to the graph on slide 7, which showed the Cook Inlet Production History and slide 8, which showed the oil and gas companies that were lease-holders both historically and currently. He said that Cook Inlet oil and gas production has declined considerably since peak production years, but the fields which were big producers in 2000 continued to produce a significant portion of the gas from the inlet. He also pointed out that there have not been significant new discoveries in the last 25 years. He drew the committee's attention to slide 9, titled "Cook Inlet Production by Field," which showed the 2024 fields, producers, lessees, and the oil and gas production. He reviewed the changes over time, referencing several companies which are no longer using Cook Inlet gas, such as the Kenai LNG plant and the Nutrien Fertilizer Plant, and discussed the reasons they were no longer in production. As gas prices increased, products from the liquified natural gas (LNG) plant and the fertilizer plant were no longer economically viable.

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CHAIR MCKAY asked whether lower gas prices would result in resumed production by these and other investors, and if Alaska

could offer lower gas prices, whether it would result in a return of industries and jobs.

MR. NOTTINGHAM responded that he believed that if there was a lower cost feed stock, some of the industries would come back. He next turned his attention to an explanation of gas storage: how much can be stored; how storage functions; and how much is currently being stored.

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CHAIR MCKAY referred to House Bill 50 passed at the end of the Thirty-Third Alaska State Legislature and pointed to provisions of the legislation that expanded gas storage capacity, and he asked about Hilcorp's request for additional storage.

MR. CROWTHER responded that Hilcorp has been doing open season to solicit additional interest in storage volumes by potential entities such as utilities and anticipates filing with the Regulatory Commission of Alaska (RCA) to allow storage rates and tariffs for those fields. The department has modified the leases to allow Hilcorp to do its own storage in those fields in order to allow third party storage.

[1:25:43 PM](#)

WESTON NASH, Commercial Analyst, Division of Oil and Gas, continued the PowerPoint presentation on slide 13, titled "DNR 2022 Cook Inlet Forecast." He explained the purpose of doing an independent analysis of the gas supply in Cook Inlet, the methodology used, and the key assumptions. The primary assumption was that there would be 15 development wells per year until 2030 and no new wells after that. He also described a hypothetical model for new gas development in Cook Inlet, which included estimated investments as well as estimated proportional costs. He called the committee's attention to the graph on slide 15, which illustrated Cook Inlet gas demand projected over time from current activity in 2024 to 2041. He then showed slide 16, which summarized the 2024 drilling and production activities and slide 17, which illustrated the results of three seismic surveys that were released in 2024. Additional seismic surveys are expected to be released over the next two to three years. The final slide showed the statutes that apply to oil and gas royalties and leasing.

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CHAIR MCKAY questioned whether the royalty modifications referred to in AS 38.05.180(j) are subject to change with administrative changes in Alaska.

MR. CROWTHER explained the process for modifications under that statute and how it would provide some durability. There are conditions that can cause an end to a royalty modification, but they would not be terminable unilaterally or purely based on a change in policy preference.

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REPRESENTATIVE MCCABE referred to the graphics on slide 10 and asked why Marathon was not included on the chart.

MR. CROWTHER responded that Marathon is the petroleum refiner on the Kenai Peninsula and is using some natural gas in its operations. These are included in the "Commercial" bar on the chart. Marathon is considered a key part of the energy mix in Southcentral Alaska because its projects provide heat, fuel, and electricity.

REPRESENTATIVE MCCABE asked whether Marathon is one of the two gasoline refineries remaining in Alaska.

MR. NASH said that there are three refineries in Alaska, but Marathon is the only Alaska refinery producing gasoline for vehicle use.

REPRESENTATIVE MCCABE drew attention to the chart in slide 15. He asked about the difference between heating and total demand, the extra 26 billion cubic feet (bcf), and whether it refers to electrical production.

MR. NASH responded in the affirmative.

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REPRESENTATIVE SADDLER reiterated Representative McCabe's earlier question regarding whether a commissioner could change a royalty relief agreement or end it.

MR. CROWTHER explained that after royalty relief is formally offered and effectuated by the department, it is a contractual change between the state and the lessee. Therefore it can't be changed unilaterally by the state. There may be a condition or limitation on the royalty relief that causes it to later expire

or terminate, but changes cannot be made simply because there is a change in administration.

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REPRESENTATIVE MEARS asked for clarification regarding the changes in gas productivity and availability for heating and production as illustrated in the chart on slide 15.

MR. NOTTINGHAM explained that some of the gas was used to fuel production of electricity and heating as well as commercial and industrial operations.

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CHAIR MCKAY questioned which slide would show the proven gas reserves that are remaining and accessible for Kitchen Lights and Cosmopolitan.

MR. CROWTHER called Representative McKay's attention to the green bars on slide 15. He explained that they show the known undeveloped reserves equivalent to approximately 300 bcf. Bluecrest, which operated Cosmopolitan, identified approximately 250 bcf. The Kitchen Lights unit, operated by HEX/Furie, has identified 200 to 300 bcf of what it believes is developable gas.

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REPRESENTATIVE MCCABE asked for confirmation that Cook Inlet gas for electricity and heating could be extended to 2030 if Kitchen Lights and Cosmopolitan were able to expand their operations.

MR. CROWTHER agreed with Representative McCabe's assessment and suggested that new development activity and additional resources might extend a little beyond that.

CHAIR MCKAY commented on the possibility of experiencing electrical and heating shortages if the known undeveloped reserves are not utilized.

MR. CROWTHER agreed that without additional resource availability, shortages were estimated starting in 2028.

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CHAIR MCKAY introduced Nicholas Fulford, Senior Director of GaffneyCline, explained that GaffneyCline is currently under contract with the Legislative Budget and Audit Committee.

[1:44:00 PM](#)

NICHOLAS FULFORD, Senior Director, GaffneyCline, directed attention to a PowerPoint, titled "Cook Inlet Royalty Analysis" [hard copy included in the committee packet]. He began his presentation by explaining the rationale behind the work presented to the committee. He set out the broader developments affecting the global investment environment in the oil and gas industry. He referred to slide 2, titled "Market Conditions," pointing out that the last four to five years have been exceptionally disruptive for the oil and gas industry. Disruptive events have created a more difficult investment scenario for gas and oil by developers, bankers, and financiers. That means price volatility for gas and oil with subsequent significant changes in cash flow. This results in a difficult environment for predicting financial revenues. As capital investments go up, the concerns of investors increase. Investors are now demanding better capital discipline with improved action on climate policy and climate mitigation as part of oil and gas developments. These are some of the increased challenges to attracting investment to oil and gas jurisdictions.

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MR. FULFORD moved to slide 3, titled "Energy Demand and Competition for Upstream Capital." He discussed several scenarios including a high increase in energy demand versus the possibility of a net zero situation. The uncertainty has resulted in lower investments by the "Super Majors." However, there have been recent improvement globally in rate of return as well as higher investments in conventional oil and gas projects.

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MR. FULFORD moved to slide 4, titled "Responses to Changes in Market Conditions." He asked the committee to consider the global response to changes in the markets, pointing out that many governments have enacted changes in royalties for the purpose of attracting investment. The chart on slide 4 shows that many countries have legislated changes in their royalties in order to attract investment. He commented that all over the world, governments have considered the trade-off between state

revenues in taxes and royalties and the ability to attract investment. This situation has caused some of the investment hesitation for future development in Cook Inlet. He moved to slide 5, titled "Increased Consideration of Asset Specific Characteristics," and pointed out that the price of natural gas in global markets has dropped below what it used to be in previous years, causing the economics of specific gas developments to suffer.

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CHAIR MCKAY asked for clarification regarding the fourth bullet on slide 5.

MR. FULFORD responded by pointing out the differences between dry gas and condensate. When the value of the condensate is high, the natural gas is almost a byproduct and has a very low cost. The economics are more difficult with a dry gas development with no financial support from liquid condensate.

CHAIR MCKAY asked whether Point Thompson was a good example because it is a condensate and a natural gas field.

MR. FULFORD agreed.

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MR. FULFORD showed slide 6, titled " Considerations for Cook Inlet." He asked the committee to take the last few slides into consideration when looking at Cook Inlet. In addition to global concerns about capital investment, Cook Inlet presents some particular features which makes investment problematic. One is the increase of cost which affects not only Alaska but also the global market. He described the core development concerns as having an aging infrastructure; lack of access for some services; challenging climate and environmental considerations; less transportation availability; and the liabilities involved with decommissioning a facility. He explained that gas buyers are seeking diversified energy sources. He also broached the subject of a possible gas line from the North Slope.

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CHAIR MCKAY referred to one of the factors referred to by Mr. Fulford on the slide, titled "Market Conditions," which pertained to investors demands. He asked what "action on climate change" referred to. He expressed his understanding

that investors will not finance projects unless there is a framework to strip the carbon out.

MR. FULFORD pointed out the complexity of the issue. He explained that many lenders have risk committees and regulatory constraints which prevent them from investing in unmitigated oil and gas development. However, the banks are also in the business of lending and earning interest, so many of them have developed a more realistic view toward climate policy. Measures which could enable decarbonization would probably be sufficient to address many of the investors' concerns.

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REPRESENTATIVE SADDLER questioned whether the risk factors were in any particular order such as greater to lesser.

MR. FULFORD replied that it was a random list, but the biggest risks were first, to establish a reliable long-term buyer, who will continue to support gas price terms and second, to determine what contractual framework would mitigate against significant price changes if the gas pipeline were connected to the Anchorage area. In response to a follow-up question, he said he believed the greatest supply risk would be cost pressures and the greatest market risk would be securing a long-term gas supply contract with an appropriate buyer. The reference to gas buyers actively seeking diversification represents an ongoing concern.

[2:01:46 PM](#)

MR. FULFORD drew the committee's attention to the slide, titled "Development Cases Evaluated," which illustrated two hypothetical Cook Inlet projects. The first hypothetical was a standalone shallow water gas field, and the second was the incremental development of an existing onshore gas-condensate field. The two biggest economic factors in gas development would be the resource size and gas price.

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CHAIR MCKAY requested clarification regarding pricing. He asked whether Alaska would see more investment and more drilling if the current royalty of \$8.50 per million cubic foot (mcf) was increased to \$12 to \$15 mcf.

MR. FULFORD responded that it was a logical conclusion based on the information presented on the slide.

CHAIR MCKAY referred to the gas reservoirs in Cook Inlet and asked whether Cook Inlet pricing would be affected if LNG was purchased on the global market for \$15 mcf to meet increasing demand.

MR. FULFORD responded by suggesting a third alternative which would be to offer a Cook Inlet gas developer a similar price in order to facilitate development which would bolster the supply of gas to Anchorage.

CHAIR MCKAY presented a hypothetical scenario in which Bluecrest, Hilcorp, and HEX/Fury were approached and told that LNG was going to be imported at \$15 per mcf. In order to prevent this, he hypothesized, these companies might drill more wells at \$15 mcf instead.

MR. FULFORD said that was a reasonable assumption.

[2:08:16 PM](#)

REPRESENTATIVE SADDLER asked whether, under Chair McKay's scenario, importing LNG would enhance or erode royalty rates.

MR. FULFORD explained that the issue was too complex for a simple answer.

[2:09:59 PM](#)

MR. FULFORD moved to the slide, titled "250 bcf New Development" and called the committee's attention to the difference between the left and right columns. He pointed out the difference between a 10-year royalty relief and a permanent royalty relief, saying that it would be relatively minor in terms of investment. He also referred to the challenges of supporting a new offshore platform. Some of the challenges would be mitigated by tying to an adjacent facility or by tying to the shore. He then addressed other elements in the economics of Cook Inlet gas development. If an offshore platform is funded, a 500bcf recoverable gas volume is significantly more attractive than a 250bcf of recoverable gas.

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CHAIR MCKAY mentioned that the Cosmopolitan field is a 230 bcf proven gas field.

MR. FULFORD commented that the economics would be improved if there were ways to increase the resource. He then segued into a discussion regarding how a dry gas resource can be ramped up into full production relatively quickly and the capacity would have a significant impact on the economics of the well. He then explained the scenarios presented in the next two slides, titled "Example Economics - Impact of 100% Take or Pay and flat daily nominations" and "Example Economics - Impact of potential Gas Line/Price Adjustment (\$1/MM Btu discount in 2035)." He compared GaffneyCline's analyses with those completed by DNR and described the similarity of the results. He concluded his presentation with several takeaways including a review regarding the challenges of a 250 bcf offshore development; a description of steps which could facilitate exploration and development; and comments regarding HB 393 and HB 280.

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CHAIR MCKAY referred to prior analyses of royalty relief versus royalty production. It had been suggested that the state revenues lost by offering developers royalty relief would be significantly less than the savings of providing gas to consumers.

MR. FULFORD allowed that was possible, but additional study was needed to determine what the comparison of royalty relief and savings to consumers would actually be.

[2:19:58 PM](#)

REPRESENTATIVE SADDLER pointed out that the State of Alaska has authority over royalties, but other factors are outside the state's control. He explained that royalties are a more certain source of revenue.

[2:21:14 PM](#)

REPRESENTATIVE MCCABE responded that the point of royalty relief is to get affordable gas to Alaskans.

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REPRESENTATIVE MEARS pointed out that some analyses have indicated that the new floor for natural gas would be up to \$14

bcf whether it is Cook Inlet gas, imports, or the proposed gas pipeline.

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CHAIR MCKAY reminded committee members that they should consider the socioeconomic impacts on constituents that rely on the oil and gas industry in Cook Inlet, such as job security.

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The committee took an at-ease from 2:26 pm to 2:44 pm.

PRESENTATION(S): AK LNG UPDATE

[2:44:06 PM](#)

CHAIR MCKAY announced that the final order of business would be the AK LNG Update presentation.

CHAIR MCKAY reviewed that under HB 268, the legislature had asked for an independent third-party analysis of the feasibility of a phased approach to constructing the Alaska Liquefied Natural Gas (AK LNG) project.

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COSTA SWIFT, Vice President, Upstream and Carbon Management Consulting Team, Wood Mackenzie, as part of the AK LNG Update presentation, began a PowerPoint, titled "Economic viability assessment and economic value of Alaska LNG project - Phase 1" [hard copy included in the committee packet]. He stated that Cook Inlet gas production has declined, and exploration wells have not discovered enough to replenish reserves, which are expected to be depleted by the mid-2030s. The demand for gas has declined over the past 20 years, and the cost of gas has increased. It is expected that prices will continue to increase as the reserves are depleted. Mr. Swift described two alternatives to address the supply gap: a new gas pipeline and LNG imports. The new gas pipeline would connect Southcentral Alaska with the northern fields. The LNG imports would require infrastructure to import and store LNG.

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MR. SWIFT noted that if the pipeline connecting Southcentral Alaska and the northern fields were built, there is an

anticipated increase in demand for gas. Fairbanks would shift to gas, the Nikiski refinery would increase its gas demand, and there would be additional industrial demands. In response to questions from Chair McKay, Mr. Swift stated that there would be an increase in industrial gas demand, power gas demand, and Fairbanks gas demands. In response to Representative McCabe, Mr. Swift stated that the Fairbanks resident would save between \$800 and \$1,500 annually on their fuel with the construction of the pipeline.

MR. SWIFT then moved on to four scenarios describing the existing gas demand, the existing gas demand plus additional gas demand based on historical gas demand, the estimated potential for new demand brought by high-consuming facilities, and the estimated potential for new demand brought on by the construction of an LNG facility. Of the four scenarios, the construction of an LNG facility would entail the largest potential for increased gas demand. He noted that the total estimated cost of a pipeline connecting Southcentral Alaska and the northern fields of Alaska is approximately \$10.8 billion for Phase 1 and compared the cost to recently built and proposed pipelines, both in the United States and internationally.

[3:00:15 PM](#)

MR. SWIFT, in response to Chair McKay, noted that Mountain Valley and the Canadian Coastal Gas Link were both built in highly populated areas with increased regulatory challenges. Both factors have lengthened the timeline and increased the overall cost of the pipeline. In response to further committee questions, Mr. Swift noted that the cost is acquired through a top-down benchmark approach and does not have an additional breakdown of costs for the pipeline. He said the cost of the Alaska LNG Pipeline is within the parameter averages, albeit on the higher end of costs. Alaska provides unique challenges when it comes to construction projects. He said he would follow up with data regarding cost overruns for the other pipelines listed on slide 10 of the presentation. He clarified that the projects listed in italics are unfinished. Finally, he noted that the cost of the Fairbanks spur was not included in Scenario 1 on slide 9. He noted that any spur required to connect to the Trans-Alaska Pipeline System [TAPS] would need to be paid for, and a tariff would be involved in the cost of the spur.

[3:09:20 PM](#)

FRANK RICHARDS, President, Alaska Gasline Development Corporation (AGDC), at the invitation of Chair McKay, stated that there is an offtake point near the Chatanika River on the Alaska LNG Pipeline corridor. The route goes up and over Murphy Dome. The cost estimate is \$180 million, with the tariff estimated to add 0.80. He stated the permitting process went forward under the Army Corps of Engineers.

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MR. SWIFT noted that additional costs, including Compression, Cook Inlet Crossing, and Point Thompson Expansion would bring the total to approximately \$14.3 billion. In response to Chair McKay and Representative Saddler, Mr. Swift noted that that the project would originate in Prudhoe Bay and the offtake would assume Great Bear Pantheon Gas through the life of the analysis that Wood Mackenzie had completed [2070].

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MR. SWIFT, on slide 12, advised that of the four scenarios, the Alaska LNG Pipeline has the most potential to lower the cost of gas to \$2.23/gallon. On slide 13, he noted how additional factors, such as property tax and a federal loan guarantee, have the most impact on the cost of gas. Slide 13 isolated many variables and calculated their individual impact on the delivered cost of gas. Mr. Swift confirmed that the gas from Prudhoe Bay has a higher carbon dioxide (CO₂) content, which would have an additional impact on the cost of gas. In response to Chair McKay, he noted that every billion dollars that the capital expenditure (CAPEX) is reduced effectively equates to a dollar reduction of the delivered cost of gas.

MR. SWIFT continued to slide 14. He stated that in the analysis of LNG imports as an alternative, Wood Mackenzie considered the actual cost of the material [LNG], the shipping costs, the cost to revert the liquid back to its gaseous form, and the cost of onshore gas reception. He started with the most likely contracts for purchasing LNG: Japan Korea Marker (JKM) or oil-indexed long-term pricing. He noted that JKM is more likely for long-term purchase agreements [10-20 years]. Next, shipping costs can have an impact on the delivered cost of LNG. Mr. Swift noted in response to Representative McCabe that Alaska does have an advantage due to its proximity to the LNG markets in the Pacific. Mr. Swift described shipping routes and costs from JKM to Alaska routed through Canada, Australia, or Mexico.

CHAIR MCKAY offered his understanding that under the current federal administration, there was an existing ban on the export of LNG from the United States.

MR. SWIFT clarified that there was a pause on permitting for new LNG projects.

CHAIR MCKAY then asked how much of Japan's imported LNG comes from Russia.

MR. SWIFT responded that he did not have that information at the time.

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MR. SWIFT moved to the next part of the analysis regarding the floating storage regasification unit (FSRU). On slide 17, Mr. Swift noted the graph showing the average cost range of an FSRU. He stated that operating FSRUs generally show a low utilization rate ranging from 40-45 percent annually per unit. He stated the larger the unit, the lower the cost of regasification. There may be additional costs associated with onshore storage operations, but there could also be opportunities for optimization.

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MR. SWIFT stated the fourth cost consideration is the cost of connecting the FSRUs to the existing network of pipelines or the onshore reception. That connection involves building a jetty, constructing an offloading facility, and constructing facilities necessary to connect to the existing network. Of the 48 FSRUs in Wood Mackenzie's database, the CAPEX ranges from \$50 million to \$500 million.

MR. SWIFT stated that the total LNG import cost is estimated to range between \$10.21 per metric million British thermal units (mmbtu) and \$13.72/mmbtu whereas the total cost of gas delivered via pipeline would range between \$2.23/mmbtu and \$12.80/mmbtu.

MR. SWIFT moved on to slide 20, which detailed the approach to assess the socioeconomic benefits of Alaska LNG Phase 1. This approach included: total capital expenditure for construction, benefits for the lifetime of the project, indirect and induced benefits, and potential for savings. Mr. Swift stated that the in-state economic impact for LNG imports is approximately \$1.4 billion, whereas the in-state economic impact for the Alaska LNG

Phase 1 is approximately \$16.5 billion, with an estimated \$6.2 billion in savings on cost to the consumer. In response to Representative McCabe, Mr. Swift noted that the graphs on slide 21 do not pertain to any government tax credits that may be applicable. In response to Representative Saddler, Mr. Swift defined "economic impact" as gross value added to the overall GDP of Alaska.

MR. SWIFT moved on to slide 22, which illustrated the impacts in jobs created from Alaska LNG Phase 1 and from the LNG imports alternative. The graphs included direct, indirect, and induced jobs and were divided between construction and operations phases. In the construction phase, Alaska LNG Phase 1 is projected to create 4.0 times as many jobs as LNG imports. In the operations phase, Alaska LNG Phase 1 is projected to create 4.6 times as many jobs as LNG imports. Mr. Swift stated this is primarily due to a larger in-state construction scope for Alaska LNG Phase 1. In response to Chair McKay, Mr. Swift noted that the jobs created are only related to the LNG imports or Alaska LNG Phase 1.

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MR. SWIFT, in response to Representative Dibert, explained the bullet point on slide 8 noting "90% penetration with a 3-year transition (2031-2033)" was an assumption based on the construction of Alaska LNG Phase 1. He then continued to slide 23, detailing some additional benefits specific to Fairbanks with the switch from wood/oil to gas for its energy needs, including cleaner air and removing Fairbanks' nonattainment designation, which could increase access to private and/or public investments.

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MR. SWIFT moved on to the last slide. In summary, the cost of the pipeline would be approximately \$10.8 billion. With the decline of the Cook Inlet gas supply, Wood Mackenzie forecasts a demand gap to begin by 2030. Finally, Mr. Swift reiterated the analysis of two potential options to address the supply and demand gap: natural gas supply via pipeline or natural gas supply via LNG imports.

[3:59:50 PM](#)

CHAIR MCKAY invited Frank Richards to begin his portion of the presentation.

MR. RICHARDS, as part of the AK LNG Update presentation, began a PowerPoint, titled "Alaska's Energy Future: The Alaska Gas Pipeline" [hard copy included in the committee packet]. He said the pipeline would begin in the North Slope Borough and end in the Matanuska-Susitna ("Mat-Su") Borough, where it ties into the existing infrastructure. Phase 2 entails construction of gas treatment facilities in the North Slope and LNG export facilities. On slide 2, Mr. Richards noted that the project has gone through all necessary regulatory processes. On slide 3, he noted that the Phase 1 Pipeline can compete with the cost of importing LNG. He stated that Alaskans will benefit from lower cost energy. On slide 5, he stated his belief that the Wood Mackenzie analysis showed a positive economic value to the state.

MR. RICHARDS moved on to slide 6, which described the timeline of the pipeline. During 2025, the basic engineering of the backstop agreement must be completed, or the front-end engineering design (FEED). During 2026, financing for the FEED backstop must be secured. Pipeline construction is estimated to start in 2027, with the construction estimated to be completed by 2031. On slide 7, Mr. Richards noted that FEED is the final step before final investment decision (FID) and construction can begin on the Alaska gas pipeline.

MR. RICHARDS stated, on slide 8, that the Alaska Gas Development Corporation (AGDC) was working on accruing utility support and the support of other LNG developers. He moved on to slide 9 and described the North Slope gas supply. He said, due to low-cost access, Great Bear Pantheon is the preferred supplier. However, back up supply agreements are required, given that the fields of Great Bear Pantheon are still in development. He noted that "back up" gas suppliers are necessary for financing. Mr. Richards stated AGDC is in talks with Prudhoe Bay, Point Thomson, and the Satellite Fields. He noted that these backup fields either need gas treatment to remove carbon dioxide (CO2) or require additional infrastructure.

[4:09:07 PM](#)

MR. RICHARDS, in response to a question from Representative McCabe about whether Canada might be a supplier for the pipeline, said that AGDC wanted to look at Alaska suppliers first, as that would be the most cost-effective. Mr. Richards moved to the final slide of the presentation and stated that AGDC's primary goal was to raise funds for the Alaska LNG FEED

and development costs to reach FID. He noted that the "development capital" needed for the full Alaska LNG scope was \$150 million, and \$50 million for Phase 1. Mr. Richards also stated that AGDC plans for the funds to come from private investors and developers. In response to Representative Saddler, he said the State of Alaska would be responsible for construction costs if the it elected to take on a percentage of ownership of the pipeline.

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NICK SZYMONIAK, New Business Ventures Manager, Alaska Gasline Development Corporation, reiterated that the funds are expected to come entirely from the private sector, and the state would have the option to contribute financially.

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MR. RICHARDS, in response to Representative Mears, said the legislature intended for the renewable energy fund (REF) to receive revenue from a portion of state taxes, to provide benefits to communities that do not have direct access to the pipeline. In response to Representative McCabe's suggestion of the use of bond funds, Mr. Richards replied that it is up to the legislature to decide if and how it would like to fund the project. He also noted that the legislature gave AGDC bonding authority. In response to a remark from Representative Dibert that any funding allocation should include the Fairbanks spur and any necessary infrastructure, he assured that an update would be provided in the cost estimate through FEED. In response to Representative Baker, he clarified that all the federal permits had been completed, but not all the state and municipal permitting had been completed.

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CHAIR MCKAY stated that the State of Alaska is currently funded 60 percent through government savings and 40 percent through resources, which is primarily oil production. He opined that all projects that contribute to the state treasury, the permanent fund, and the permanent fund dividend (PFD) should be seriously considered by the legislature. He stated his belief that the legislature should prioritize revenue sources that do not involve taxing Alaskans. He thanked the presenters.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 4:31 p.m.