

Bradners'
Alaska Economic Report
*Alaska's only comprehensive business
 analysis — since 1974*

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Big gas deal signed, but questions linger

Alaska's state gas corporation, Alaska Gasline Development Corp., or AGDC, signed a contract last Thursday with Glenfarne Group Inc. to be project manager for the \$40 billion-plus Alaska LNG Project. The deal calls for Glenfarne to own 75% of 8 Star Alaska, an AGDC subsidiary, that will manage project development including attracting investors and customers for the liquefied natural gas, or LNG, project. Glenfarne's first task is to do the \$150 million Front End Engineering and Design and then attract investors for an initial phase one, an 800-mile 42-inch gas pipeline that will initially serve communities in Interior and Southcentral Alaska. Subsequent phases will involve a large LNG plant on the Kenai Peninsula that will export liquefied gas to Asia. A large North Slope gas treatment plant will also be needed. Glenfarne CEO Brendan Duval said he is confident that private equity investments can be raised for the

pipeline segment even before the complete project including the LNG plant is underway. In a briefing last Thursday Duval said the FEED study, which will include an updated cost estimate (the current estimate is \$42 billion), can be done by this fall and that a final investment decision for the pipeline can come by the end of the year. *Despite this optimism there are huge uncertainties, mainly on the updated cost.* However, if the pipeline segment can be financed, and construction started, getting investments in the two remaining parts, the LNG and gas plants, is expected to be easier. President Donald Trump is also championing the project.

In this Issue:

- Energy p. 2
- Minerals p. 3
- DOI land order pp. 4-5
- Housing: p. 6

Vital TAPS pipeline corridor to be granted to state

U.S. Interior Secretary Doug Burgum's recent order on North Slope lands includes a grant of federal lands in the Trans-Alaska Pipeline System corridor to the state. This covers 2.8 million acres and extends from the North Slope into Interior Alaska. The state has "top-filed" for selection rights in the corridor under its 1959 Alaska Statehood Act land

rights, giving the state a preference for the land when Burgum transfers it out of federal ownership. What's important about this is the element of state control over any land development and access in this large area. However, state control during the next reauthorization of the federal right-of-way for the Trans-Alaska Pipeline System is critical.

Energy:

Federal energy funds “unfrozen”

Federal funding for several Alaska energy programs initially frozen by the Trump administration are now thawed, state energy officials say. This includes “Solar for All,” which will build solar projects in disadvantaged communities. About \$62.5 million is available for community solar projects and rooftop solar for low-income homes. There is no local match requirement.

A separate, \$74 million program, also now unfrozen, includes \$37.4 million in federal funds for home efficiency energy rebates to homeowners with \$2,000 rebates for improvements saving 20% or more and \$4,000 for retrofits saving 35% or more. Rebates are doubled for low and moderate income homes. Alaska Housing Finance Corp. is administering this programs.

Energy efficient homes, appliances

There is \$37.1 million available for home electrification and appliance rebate program for low and moderate income households. Fifty percent of the project cost can be refunded for residents with incomes between 80% and 150% of area median income. Rebates of 100% will be available for residents with incomes below 80% of area median income. This has a \$14,000 cap per household. Funds for both of these programs will be available between fall and winter 2025.

There’s also \$15.53 million for several other smaller programs including funds to recapitalize an energy efficiency revolving loan program, energy efficiency block grants and training for residential energy contractors. All of these are now being implemented.

Transportation:

Bering Strait ship traffic increase

Marine Exchange of Alaska vessel tracking data shows a sharp increase in large vessels transiting the Bering Strait into Arctic waters. Data for 2020-2023 shows an annual average of 576 large vessels transiting the strait with a high count of 681 in 2023. Between 2010 to 2019 the annual average was 338 large vessels. The majority of these were navigating Russia’s North East passage across the top of Siberia to Russian energy projects in the Arctic as well as Europe. The Marine Exchange, based in Juneau, tracks ships equipped with identity transponders and while the data doesn’t show cargoes most of the vessels are reported to be carrying Russian crude oil and liquefied natural gas. However, an increasing number are container ships carrying general cargo from ports in Asia to Europe.

Telecom:

Broadband grant applications

The state’s Broadband Office will now close its application period for federal pass-through grants (the \$1 billion awarded to Alaska) to mid-May, officials told a state Senate committee last week. Applications will go through a 90-day state-level review followed by a 90-day review on the federal level. Project awards are expected to be announced in December, which should allow construction to be underway in mid-2026 assuming permits are granted. Permits can be a major stumbling block and the Broadband Office is encouraging applicants to work through the state Department of Natural Resources’ large project group. In fact, extra points in scoring are done if applicants work permits through DNR.

University goes after \$160 million NSF minerals grant

The University of Alaska Fairbanks' new "Alaska Critical Mineral Collaborative," working with a coalition of industry, government and university partners, has been invited by the National Science Foundation to submit a proposal for a \$160 million grant in NSF's "Regional Innovation Engines" program, to help build the state's minerals industry from exploration to mine closure. State legislators were briefed on the program last week. The proposal is due April 11.

Among other things the project includes aiding companies in increasing production of critical minerals in existing mines in the state. The proposal builds off work the university and the state's Division of Geologic and Geophysical Services have done over the last two years in a \$7.5 million state-funded program. Some of the outcomes of that are improved remote sensing technology to detect mineral deposits, mining of rare earth elements, or REEs, at Bokan Mountain in Southeast Alaska, and recovery of REEs from coal. The Usibelli Mine, Alaska's sole producing coal mine, will be one focus of research.

Key objective: Improving extraction and processing of minerals

Helping the state's existing mines improve recovery of associated critical metals is a key objective for the university group. Improving recovery helps the economics of mines and can extend their operating lives, extending the local economic benefits, as well as improving the economics of new potential mines. Many critical minerals are found in association with other metals being mined in Alaska now, for example, in gold and zinc production. A big challenge is that some of the state's major metal mines, such as Red Dog, a zinc producer, and Fort Knox near Fairbanks, a gold mine, are approaching the end of their resources.

This means there could be a shorter window of time for new techniques developed by the university consortium to be used at least in those mines. Fort Knox is scheduled to end mining in 2027 although processing of low-quality ore from a heap leach will continue. Red Dog is scheduled to end mining at its current operation in 2031. There are hopes new zinc deposits in the area can be developed, but this is uncertain and will take time.

Intense competition: Alaska has made it through early rounds of review

If awarded, the NSF "Engine" funds could total \$160 million over 10 years with an initial two-year ramp-up period funded at \$15 million. The UAF team has secured support from the mining industry, Alaska Native corporations, national labs, venture capitalists, and other universities. There's no local match required in the \$160 million in awarded but legislators were told that if the state were to make a contribution the NSF would look on it favorably and it would enhance the UA application. There is intense competition nationally for the grant, but so far, the Alaska group has made it through several rounds of screenings, which have narrowed the list of competitors.

Industry pleased, but cautious on DOI lands order

Alaskans are optimistic, but cautious, on a new DOI land order opening up lands to oil and gas exploration in northern Alaska. Interior Secretary Doug Burgum issued a new order March 20 relaxing restrictions on federal lands in the National Petroleum Reserve-Alaska and the Trans Alaska Pipeline System corridor from the North Slope to Interior Alaska. Burgum's order generally restates announcements earlier from President Donald Trump on unleashing exploration and development in Alaska with a few more details, but not specific actions planned.

ANWR leases restored, but there are still uncertainties

In the Arctic refuge, known as ANWR, the 1.56-million acre coastal plain was opened to exploration in 2020 under the 2017 Tax Cut and Jobs Act and two lease sales held. The leases were canceled by President Joe Biden's Interior Secretary, Dab Haaland. U.S. District Court Judge Sharon Gleason has ordered the leases restored, however. Gleason ruled Haaland did not have authority to cancel the leases. One complication is that there are now differing federal Environmental Impact Statements and sets of lease terms and stipulations on ANWR leasing which Burgum will have to resolve. The first EIS was for the first lease sale, under Trump, that has been argued to be too lenient. The second EIS was revised and tightened by Haaland for a second lease sale held last year, which attracted no bids.

If Burgum opts to issue AIDEA's leases or hold a new sale under the more relaxed 2020 EIS and lease stipulations, instead of the more recent and restrictive EIS and lease terms issued by Haaland, conservation groups will be quick to sue. The practice is usually for the most recent EIS to be used. If it isn't, Burgum will have to explain in court why the lease terms are being relaxed. This will require scientific explanations on the differences in protective measures for polar bears and caribou.

National Petroleum Reserve-Alaska

Another part of Burgum's March 19 order deals with the 23-million-acre National Petroleum Reserve-Alaska on the western North Slope. The Secretary announced March 20 that 82% of the reserve will be available for leasing. Currently only about half of the NPR-A is available. This is important but it will take time to implement and explorers need more details. Federal geologists have said that most of the large NPR-A, particularly the southern and western parts, have relatively little oil and gas potential, and companies have expressed little interest in those areas.

The part of the petroleum reserve that is most attractive to industry is in the northeast where ConocoPhillips has made discoveries and is now developing its Willow project. ConocoPhillips holds a large block of existing federal leases in the area and has said it will be exploring those. Similarly, Australia-based Santos Ltd, which is now developing its Pikka discovery on state lands near the NPR-A, holds an extensive group of leases to the west in the federal reserve, which has potential.

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DOI order: NPR-A more attractive than ANWR?

– Continued from previous page

NPR-A is more attractive than ANWR, geologist says

Richard Garrard, the Alaska exploration geologist who is familiar with the region, believes the NPR-A has more potential for new and large discoveries than ANWR, to the east. It can be also be explored with less of the political complications and lawsuits that will come with reopening the coastal refuge, he said.

One question, however, is whether Burgum's NPR-A plan will include leasing of ecologically-sensitive coastal wetlands north and west of where ConocoPhillips is developing Willow. The Teshekpuk Lake area near the Alaska Beaufort Sea coast, for example, is a prime nesting area for migrating waterfowl. The Teshekpuk area is also judged to have significant petroleum potential but has been protected through several presidential administrations including Republican led ones. It is unknown whether Burgum will now offer this. If it is proposed for leasing it will draw intense challenges not only from major conservation groups but also sports hunters interested in protecting migratory birds.

Burgum lifts Public Land Order on TAPS corridor but not other parts of state

A third part of Burgum's order will be of strategic importance to Alaska. It would transfer federal lands in the Trans-Alaska Pipeline System federal land corridor to the state. It has long been a state priority to gain control of this area. The state has worked for years to get an old Public Land Order lifted that restricts access to the so-called TAPS corridor, and that dates from the 1970s (*see related item, bottom of page 1*).

Meanwhile, it appears that the 1970s-era Public Land Orders restricting federal lands for other parts of the state were left in place by the Secretary, although this could change. These are areas in the eastern Interior, Northwest Alaska and other regions that make up the 38 million acres of lands where former Secretary Haaland reaffirmed continued closures last year. One aspect of this is that in some of the PLOs (they differ by area) lifting the restriction would make the land eligible for federal mining claims to be filed, raising fears of a "land rush" of claims staking. It's not clear why Burgum left this in restricted status but it may be to allow time for Alaska Native corporations and the state to sort out their own claims to lands.

All of this stems from the Alaska Native Claims Settlement Act of 1971 when Congress withdrew lands to entry across large areas of land under Sections d-1 and d-2 of the act. The d-2 withdrawals were made to set aside lands for new national parks, wildlife refuges and forests, to be created in the 1980 Alaska National Interest Lands and Conservation Act, or ANILCA. The d-1 lands were withdrawn to allow Alaska Native corporations to select their lands under ANCSA. However, the d-1 lands are still withdrawn under the decades-old Public Land Orders.

Petroleum:

North Slope petrochemical plant

An Alaska-based company will build a \$140 million petrochemical plant at Prudhoe Bay, on Alaska's North Slope, to manufacture methanol and aid in the production of ultra-low sulfur, or ULS, diesel. Alyeschem LLC plans to have the facility under construction next year and to be producing methanol and ULS diesel in 2027. Private equity investors will fund half of the capital cost with the remainder financed by the Alaska Industrial Development and Export Authority, the state's development finance corporation, Alyeschem said.

Methanol is used by producing companies for freeze-protection of producing wells and other purposes. It is now trucked to the North Slope from Southcentral Alaska along with the ULS diesel. When in operation the plant is expected to produce 32,500 gallons of methanol per day, enough to supply all current needs by producers, as well as 1,500 barrels/day of ULS diesel, which will supply part of the need for the fuel in trucks. This will reduce truck traffic on the Dalton Highway, a state road linking the North Slope with Interior Alaska highways. The highway is heavily used for development on the slope and maintenance has been a challenge in recent years, so any reduction in traffic is welcomed.

The plant will not totally produce the ULS diesel but by using hydrogen available from the methanol process it will upgrade high-sulfur diesel now produced in small topping plants on the slope to remove sulfur and meet the U.S. Environmental Protection Agency's standard of 15 ppm sulfur standard for ULS diesel.

Hatchet buried on slope road use

ConocoPhillips Alaska has now signed a commercial agreement with Santos Ltd. for Santos' use of the Kuparuk River field road system. The long-term road agreement recognizes the practice on the North Slope for operators to enter into commercial agreements governing third-party use of private improvements and facilities including oil field roads. It was an intense dispute, now settled.

Health Care:

Alaska not highest in health costs

Think Alaska's health care costs are the nation's highest? That isn't true, said Jeff Davis, a former Premera Blue Cross Alaska CEO now working as a consultant. The District of Columbia and New York have higher per capita annual health expenditures. Alaska is in third place, followed by Massachusetts and Delaware. The data is from the Center for Medicaid and Medicare Services, National Health Statistics Group. The August, 2022 report shows Alaska at \$13,642 per capita annual expenditure; New York at \$14,007 and the District of Columbia at \$14,381.

Seafood:

Trump: Russian seafood back in?

Seafood sources say Russian fisheries products are finally out of U.S. markets after a ban on imports and on products routed through China and re-exported to the U.S. But Alaska harvesters are now nervous that President Donald Trump will let Russia back into U.S. markets. Alaska's Sen. Dan Sullivan championed the ban.

Housing: **Anchorage home prices soar**

The price of housing in Anchorage could be called the new misery index. State Rep. Andrew Gray, D-Anch., cited some startling numbers as he introduced a bill that would expand flexibility for municipalities in granting property tax exemptions for new home construction. Gray said the average price of a single-family home reached \$524,000 last fall, a 23% rise in four years. When mortgage rate increases are added, monthly payments on a home have doubled in the last four years. The cost of a newly-built home, meanwhile, reached \$683,000, which is unaffordable for 86% of Anchorage households under current finance guidelines.

On rental markets, Gray said soaring home prices are also indirectly adding to the rental shortage and price increases. Young people typically rent and then buy but as home purchasing becomes less affordable people stay in rental properties longer. This tightens the rental market, driving up rents.

AHFC homebuyer initiatives

A new development that will help people buy homes is that an Alaska Housing Finance Corp. change to its loan-to-value ratio for home mortgages is now in effect. For a \$400,000 home the reduction in the required down payment is \$8,000. Another new program now in effect is AHFC's \$10,000 new home construction rebate. People who buy a new home that meets energy efficiency standards can get \$10,000 cash payment from the state. The Legislature funded this with a \$7 million appropriation last year. That's enough to help about 650 homebuyers, according to estimates.

Minerals: **Uranium exploration near Elim**

Panther Minerals is set to begin exploring a potential uranium deposit near Elim, in western Alaska near Norton Sound on the headwaters of the Tubuktulik River. Most of the company's claims are on state lands and the Department of Natural Resources approved a four-year exploration permit for the company last October. A portion of the claims block is on federal lands and the U.S. Bureau of Land Management denied a permit last fall. Presumably BLM will be revisiting this under the new federal administration. Alaska geologist David Hedderly-Smith, who owns some of the claims, said the deposit could be one of the more important uranium accumulations in the U.S. The Norton Sound Watershed Council, consisting of tribal groups, is opposing the exploration.

West Mat-Su exploration road

Australia-based Nova Minerals plans a 10-mile private exploration road to its Estelle gold project from the Whiskey Brave airstrip and Nova Minerals' camp in the western Mat-Su region. Exploration at Estelle has been supported to date by helicopter, which is extremely expensive. The road will lower those costs. Nova Minerals will pay the estimated \$1 million cost of the road, it said. The project is not connected with the proposed 90-mile West Susitna Access Project proposed by the Alaska Industrial Development and Export Authority, the state's development finance corporation. Antimony, a critical mineral, has been detected in rock samples in the project area and Nova Minerals hopes to secure a federal grant similar to one landed by Graphite One on the Seward Peninsula.

Sullivan: Navy to reopen Adak naval base

The U.S. Navy has agreed to reopen the closed Adak naval base as part of moves to enhance regional defense, Alaska U.S. Sen. Dan Sullivan said. “A Navy team will be in Adak in the next few days to assess what’s needed to reopen the base,” the Senator told Alaska legislators in Juneau. “With authoritarian aggression on the rise, especially near our borders, I am happy to report that after five years of dogged persistence on the Armed Services Committee from me and my team—countless hearings, meetings, amendments in the National Defense Authorization Act—the NORTHCOM commander and INDOPACOM commander in hearings have recently agreed that we need to re-open the Naval base at Adak for our national security,” Sullivan said.

“I was recently briefed by the CNO of the Navy—the top admiral in the U.S. Navy. They’re going to be sending a team next week to assess the investments needed in order to reopen Adak as part of our defense perimeter on the northern border for our country,” the senator said.

Seafood:

Alaska black cod a bright spot

Alaska black cod, also known as sablefish, is selling briskly in West Coast markets, according to industry sources. Sablefish (black cod) stocks are also up. This is a bit of good news for the Alaska industry, which has been hit hard. Alaska Leader Seafood has a miso-marinated black cod product which is proving to be very popular.

Energy:

State’s renewable energy grant program a success

The state’s Renewable Energy Fund is a real success story that is largely unknown. State funds are matched with local contributions to build mostly small renewable energy projects in small rural communities. Since the program was established in 2008 there have been 294 grants awarded that have resulted in 100 projects now operating with 56 in development. Eighteen projects were awarded \$17 million in state funds two years ago in “Round 15” of awards; five projects were awarded \$10.5 million last year in “Round 16.” This year there are 18 projects recommended to the Legislature with a request for \$21.2 million but it is uncertain how much can be afforded this year given the state’s tight finances. The total investment of state funds has been \$327 million to date. The project developers, mostly local communities, have contributed a matching share that is roughly equal. The estimated annual saving of fuel, mostly diesel, is now about 13.1 million gallons. The cumulative savings of diesel since the program start is estimated at 111 million gallons. In addition there is an estimated cumulative 3.3 billion cubic feet of natural gas saved due to renewable energy projects in the state’s “railbelt” region, mainly in Southcentral Alaska.