

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

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Tourism downturn looming?

Uncertainty slows the growth Alaskans took for granted

Economic uncertainties are beginning to take a toll on tourism. Alaskans are used to steady growth in the state's visitor industry but looming shocks to the economy, caused mainly by President Trump's economic policies, are undercutting consumer confidence, which may result in a decline in spending on vacation travel.

The first Alaska data on this is showing up in Fairbanks' visitor numbers for March, normally a strong winter tourism month for the Interior with aurora-viewing and winter recreation in full swing. Hotel/motel occupancy rates in Fairbanks were 8% up in January but down 2% in February and 7% in March. March is normally a peak. Combined arrivals and departures at Fairbanks International Airport showed the same trend: Strong numbers for January and February (up 12% and 5%) but

down 6% in March, which is when the new president's actions started taking a toll on consumer confidence. Many of Fairbanks' winter visitors are international travelers traveling by air, and the incidents of detainments and delays at Immigration and Customs Enforcement, or ICE, U.S. entry points, is likely having an effect. Most of these visitors are independent travelers and if uncertainties continue the trend may continue into the busy summer tourist season. So far there have been no apparent effects on summer bookings related to cruise ships, tourism officials in Fairbanks and Anchorage say. Bookings on the ships and related land tours are typically made in advance and this year ahead of the tariff actions. Even though cruise ship bookings appear steady there are concerns that passengers will spend less on shore visits and on inland tours.

North Slope booms: ConocoPhillips spends \$1 billion in 1st quarter

North Slope oil work is booming. ConocoPhillips reported that it invested \$1 billion during the first quarter of 2025 mostly in the company's new Willow oil project. The company also had 2,400 people working at Willow, Kirk Johnson, the company's vice president for global operations, told analysts in a May 8 first quarter earnings call.

Early winter is a prime construction period, so activity tends to peak. ConocoPhillips said it expects its Willow capital spending to taper off through the rest of 2025. The company is on track for a 2029 start of production. Santos Ltd. had 2,200 at its peak employment on the Pikka project and hopes for phase one completion this year.

Energy:

Work underway on LNG imports

Hilcorp Energy, the Inlet's major gas producer, says it won't have the gas supply to meet the fuel demands of regional utilities beyond current supply contracts ending between 2028 and 2032. This is troubling because Southcentral Alaska depends on gas for heating and most power generation.

For the short term, however, Hilcorp affiliate Harvest Alaska is now working on importing liquefied natural gas, or LNG, and Chugach Electric Association, the state's largest electric co-op, will be one of Hilcorp's first customers. Harvest is purchasing the mothballed Kenai LNG export plant from Marathon Petroleum and is now working on the engineering of modifications so the plant can import rather than export LNG. Harvest plans to complete front-end engineering and design work later this summer. Chugach is meanwhile developing the commercial and business structure to begin importing LNG as early as 2027.

Imported LNG won't be cheap, however. It could be about double the price of gas now being produced but consumers will feel just a part of that because this would be just for that increment of gas from imported LNG. Chugach also has its own gas supply from the Beluga gas field, where it is part owner. This sounds reassuring in terms of keeping the heat and power on but there are uncertainties. One is that Harvest will have to modify a license Marathon holds to convert the plant to imports. Marathon planned only limited LNG imports to supply gas for its nearby refinery. The license will have to be modified to meet larger LNG volumes needed to supply Chugach and other utilities.

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Telecom:

Trump cancels digital equity

The Trump administration canceled the federal digital equity program last Friday, May 8. Emails went out to Alaskan applicants for grants last Monday notifying them of the cancellation. \$5.8 million was available to Alaska under the program. However, funding for the bigger broadband program under which \$1 billion would be available for Alaska is still intact, according to sources familiar with pending changes. The program is on hold while technical issues are worked out but the funding is expected to be okay, according to sources.

A workaround for cable break

Alaska-based Pacific Data Port has established a satellite data station in Nome to transmit to and receive data from Low Earth Orbiting Satellites in support of communities in western and northern Alaska that were cut off from internet service by a break in an offshore fiber optic cable. Since the break, caused by ice gouging, residents in the region have been able to get service through Starlink, but the new facility at Nome has much greater capacity and will feed data through parts of the undersea cable that are undamaged.

LNG import licensing concerns

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But there are concerns. The major one is that a new licensing procedure by the Federal Energy Regulatory Commission could provide opportunities for those who oppose LNG imports to intervene, delaying the proceedings. Lawsuits are considered likely, too.

Special report:

Is the Alaska LNG Project possible?

The Alaska LNG Project is getting a lot of attention. Long planned, this \$40 billion-plus project would build an 800-mile, 41-inch natural gas pipeline from the North Slope to a planned natural gas liquefaction, or LNG, plant at Nikiski, on the Kenai Peninsula south of Anchorage. The state-owned Alaska Gasline Development Corp., or AGDC, has been leading the project and recently signed an agreement with Glenfarne, an energy project developer, to complete engineering, update cost estimates, and find customers. The project has been around for decades. Will it ever get built? Getting it built will depend on things beyond Alaskans' control. Buyers must sign long-term purchase contracts. Buyers, however, are worried about inflation, supply-chain issues and now tariffs.

What is taking so long?

What's holding things up? Mainly it is the risk because of the sheer scale of the project and the competition from other gas and LNG producers. However, the project has strengths including the 35 trillion cubic feet of proven gas reserves on the North Slope, the probability that a lot more gas can be developed, and existing oil producing infrastructure that will also support gas production. *While the up-front costs are large, a key advantage for an LNG buyer is the chance to lock in long-term supplies at known prices.*

But back to the risk: Most of this is focused on the 800-mile, 42-inch pipeline and its costs. However, in contrast to what pipeline builders faced in the 1970s with the Trans Alaska Pipeline System, which experienced big cost increases, soil conditions along the route are now well known, contractors now have decades of experience building Arctic pipelines and large process plants, and companies have track records of bringing in projects on schedule and on budget. A big advantage is the proximity to Alaska to markets in Asia compared with competitors in Australia, the Persian Gulf and the U.S. gulf coast. Tanker transportation costs may weigh heavily in the total delivered cost of LNG.

However, there are also new unknowns: Steel and material prices are rising, and President Trump's new tariffs are disrupting supply chains. Another wrinkle: Major LNG buyers in Japan and Korea will want to see their steel, equipment and suppliers involved.

Various plans to build a pipeline have been put forward since 1979

Each proposal, including several configurations of overland pipelines and LNG export projects, have foundered, stymied mainly by market conditions and commercial issues, meaning how deals are put together. The latest project by the state's Alaska Gasline Development Corp, or AGDC, involves a project that is now permitted with its Federal Energy Regulatory Commission license and Department of Energy LNG export permit. The project has state and federal rights-of-way, preliminary engineering and cost estimates, federal loan guarantees and, most recently, the strong support by President Donald Trump. The president has linked Asian nations' willingness to purchase Alaska gas to his tariffs on imports from Asia.

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Lacking for Alaska LNG: Long-term purchases, so far

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What has historically been lacking for Alaska LNG are long-term purchase contracts with buyers that are needed to finance the construction. Japan did do long-term purchases from Alaska's legacy Kenai LNG plant from 1969 to 2012, when the contracts expired and were not renewed. The world LNG market was changing at the time. Japan, and other Asian LNG buyers switched to shorter-term purchases from the Persian Gulf, Australia and other places and most recently the U.S. gulf coast. There was, and is, ample LNG on world markets. Because of this buyers were and are reluctant to lock into long term contracts from what could be an expensive source with unknown costs in northern Alaska.

The concern is mainly over the 800-mile pipeline

This stems partly though memories of the major cost increases when the Trans Alaska Pipeline System, for oil, was built in the 1970s. While many of the factors that drove up the cost of the TAPS project, such as unfamiliarity with the soils and permafrost, are not present today, there are concerns for labor supply, logistics and materials today that are similar to those of the 1970s.

The organization of the project has also been a challenge. The commercial organization has changed over the years, and its structure is vitally important. The initial concept of a project led by the gas producers has drawbacks and alternatives have been proposed (see discussion on page 5). There is also another problem: The sheer volume of the LNG that would be produced, 20 million tons yearly, and how efficiently this can be absorbed into the market. The Alaska plan has been to quickly ramp up to 20 million tons per year because getting this revenue as soon as possible is important to the project economics, but this could swamp the market, making it difficult to place this LNG, at least without heavy price discounts. The Asia LNG market has grown but this could still be a problem, particularly with competitors able to supply LNG in smaller increments. This could be mitigated if ways can be found to phase the LNG production so that its volume increases in increments as buyers are found.

But this could be difficult because key parts of the project, such as the pipeline, are difficult to phase. Other parts, like the LNG export plant and the gas conditioning plant on the North Slope can be built in stages. But not the pipeline. This is one of the key challenges for Alaska LNG.

Why did North Slope producers withdraw from the project in 2016?

The three major North Slope gas owners, led by ExxonMobil, were in a 75%-25% consortium with the state's AGDC until 2016, when the companies withdrew and turned the project over to AGDC. The key problem was that the economics did not work for a project led by producers, which typically requires rates of return of 20% to 25%. The producers did feel that project owners needing less of a return, such as infrastructure equity investors and even the state, could make the project work. They also urged AGDC to continue work on completing the all-important Federal Energy Regulatory Commission license and the remaining federal and state permits. AGDC did this, and this work is completed. – *Continued on next page*

Producers turned to state to finish licensing

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By 2019 most of the preparations were done but Gov. Mike Dunleavy, newly-elected, instructed AGDC to find a private partner to lead the project. It has taken several years but AGDC has now done this in choosing a New York-based project developer, Glenfarne. This company is not an ExxonMobil but it does have a successful track record in developing power projects in Latin America and in bringing in the kind of energy infrastructure investors the three producers had suggested. In fact, ExxonMobil made the introduction to Glenfarne for AGDC recently, so the company, still the major gas owner on the North Slope, is still interested in the project. (The state, by the way, is the second largest gas owner through its royalty share of production). Also, ExxonMobil has always said that if it does a major gas sales deal it will be, at the end of the day, an owner in the gas transportation project so it can keep on eye on how the construction is managed.

AGDC and Glenfarne hope to get phase one pipeline commitments

Meanwhile, AGDC and Glenfarne are now organizing the big project into separate ventures, the pipeline, LNG plant and gas conditioning plant. The pipeline is being presented as a phase one and Glenfarne plans to complete final engineering and get new cost estimates soon. The company also hopes to entice equity investors into the pipeline phase one venture and get construction underway. Whether investors will commit \$10 billion-plus for the pipeline without the LNG plant underway and LNG customers is unknown. Readers should be cautious Gov. Mike Dunleavy's remarks that pipeline construction can be underway in 2026. That's just political talk. There could be financial commitments, however.

What about President Trump leveraging Japan to buy?

President Trump is a big booster for Alaska LNG and that keeps the project visible. Whether the president's hopes of tying trade concessions to Japan and other Asian nations for those all-important long-term LNG purchases will bear fruit is unknown. Japan's political leaders say things that appear to make this possible but a reading of the Japanese business press shows skepticism. Also, the president's sudden deal on trade with China has really stung the Japanese, who are wondering why there's no deal on the horizon for them. Also, Japan will weigh the longer-term calculation. Trump will be gone in less than three years and these LNG purchase contracts will likely be in place for decades. Japan may just opt to keep talking and negotiating until Trump leaves office. That said, this is a dynamic and uncertain environment. Who knows what will happen?

The latest: In a May 15 briefing at the Resource Development Council, Rex Canon, CEO of Glenfarne Upstream, said his company hopes to have the Final Investment Decision on the phase one 800-mile pipeline by the end of the year. Discussions will be underway this summer and fall with potential Alaska contractors and suppliers, Canon said.

Petroleum:

Alaska provisions in budget act

The federal budget reconciliation bill now in the U.S. House has a lot of things relative to Alaska oil and gas. President Trump's pronouncements on Alaska oil development so far have been executive orders, which offer only guidance for agencies and carry no specific legal weight. An act passed by Congress would have legal weight, however.

Included in the bill, so far:

- A requirement for four lease sales in the Arctic National Wildlife Refuge over the next 10 years. Existing law, from the first Trump administration in 2019, required two sales by 2024, both of which have been held
- Reinstatement of leases from the first ANWR sale, in 2021, that were canceled by former Interior Secretary Deb Haaland. These leases are now held by the Alaska Industrial Development and Export Authority. Seismic work could be underway this coming winter, according to sources.
- Lease sales every other year in the National Petroleum Reserve-Alaska and amending federal law so that petroleum development is given a priority over other uses.
- Six mandated lease sales in Cook Inlet with a requirement that one million acres be offered in each of the sales. *(However, industry has shown little interest in the federal Outer Continental Shelf submerged lands in Cook Inlet. Several federal OCS sales in past years have drawn no bidders.)*

Also of interest is language in the bill that would limit scrutiny and legal challenges to an expedited environmental assessment paid for by the project sponsor. This section will surely attract litigation if it remains in the bill.

80 miles of Willow pipelines now built

ConocoPhillips says it has completed 50% of the civil work like roads and pads for the new Willow oil project. About 80 miles of pipelines are now installed. Comments on Willow came during the company's May 8 earnings call with analysts.

Hilcorp boosts Alaska production 5%

Hilcorp Energy boosted its first quarter Alaska oil production 5% year-over-year compared against first quarter 2024, Luke Saugier, the company's Alaska senior vice president, told the Senate Finance Committee in Juneau. The company is investing \$750 million in Alaska field development work this year. It is now operating seven drill rigs on the North Slope and will add two more next year, one at the Point Thomson gas field east of Prudhoe Bay and one at the Nikaitchuq field northwest of Prudhoe that Hilcorp acquired from Eni Oil and Gas.

In another Hilcorp development, the company has purchased the North Fork Unit on the Kenai Peninsula, a small producing gas field northeast of Home, from Louisiana-based Gardes Holdings. North Fork has been struggling. Hilcorp plans to do more drilling to increase production.

HEX LLC closing in on more Inlet gas

John Hendrix, CEO at Cook Inlet gas producer HEX LLC, said his drillers are closing in on their first target for new Cook Inlet natural gas and are getting shows of gas. Completion of the well is planned by the end of April, after which HEX will start on a second well. The hope is to have new production by the end of July.

Seafood:

2025 salmon harvest will be up

The 2025 salmon season should be big, at least if the fish show up. Initial projections by the Alaska Department of Fish and Game are showing an estimated harvest of 215 million fish. That's double the 2024 catch of 101 million salmon. However, 2024 was just the opposite, a sharp drop from 232 million salmon caught in 2022. The big drop was in pink salmon.

The big increase in 2025 will be pink salmon, in another swing in the every-other-year cycle. About 148 million pink salmon are expected to be caught, up from 40 million in 2024. Sockeye salmon harvests in 2025 are reckoned at 53 million, compared with 42 million last year. Coho salmon are expected to be at 2.35 million caught this year, up from 1.7 million last year. Chum harvests are estimated at 20.8 million compared with 17.2 million last year. While the harvest numbers will be up seafood processors will be keeping a sharp eye on the size of the fish, which are trending smaller. The 2024 harvest amounted to 450 million pounds for 101 million fish. That made 2024 the third lowest poundage for the fish caught. Harvesters are paid by the pound, so this matters.

Silver Bay Seafoods has announced an opening price for Bristol Bay sockeye salmon of \$1.30 per pound.

Fishing vessel insurance pool

Only one of several bills aid the state's ailing seafood industry is likely to make it through the Legislature this year. It is a measure that would allow harvesters to form insurance pools to lower costs for coverage.

Minerals:

Critical minerals money still frozen

At odds with all of the talk of critical minerals and rare earth needs in the Trump administration, the new president's people still have a freeze on funds for a phase two for Alaska exploration and development research for these vital minerals. The University of Alaska Fairbanks and the state Division of Geological and Geophysical Surveys completed phase one last year and a second phase is to continue the work. The funding is to come from the Department of Energy with a local match needed.

Coal carbon capture funds frozen

It also appears that federal funds are in the deep freeze to support feasibility and preliminary engineering for carbon emissions capture at a proposed 400 megawatt coal power plant in the western Mat-Su region. The carbon capture and coal plant are associated with a new coal mine that could be developed nearby. There are substantial coal resources there and Flatlands Energy, an Alaska firm, has been doing exploration for several years.

DoD minerals grant pending

A Department of Defense grant to aid an Alaska critical minerals project is pending, according to sources. The identity of the company involved is held under confidentiality agreements.

Donlin Gold waiting on judge

Donlin Gold is awaiting federal Judge Sharon Gleason's decision on lawsuit over the tailings disposal plan at the company's big gold project in the mid-Kuskokwim River region. Oral arguments in the case were held last week.

Defense contracting continues to grow

Defense spending in Alaska continues to grow, reaching \$4.7 billion in federal fiscal year 2023, according to data published by the Alaska Department of Labor and Workforce Development. Defense contractor expenditures reached record levels in federal FY 2022 (\$2.0 billion) and 2023 (\$2.4 billion). Previous highs were \$1.9 billion in pre-pandemic federal FY 2019 and \$1.8 billion in federal FY 2018. Federal defense spending made up 7% of the state's Gross Domestic Product, or the sum of all goods and services provided in the state for the year. Per capita defense spending in 2024 at \$6,405 put Alaska in fourth place among the states. The national defense per capita average was \$1,819.

Alaska Native corporations, or ANCs, were among the top defense contractors in Alaska in 2024

Several Alaska Native corporations, or ANCs, were among the top defense contractors in Alaska in 2024. They include Arctic Slope Regional Corp. at \$389.5 million; Doyon, Ltd. at \$107.4 million; Chugach Alaska Corp. at \$65.5 million; The Aleut Corp. at \$44.3 million, and Koniag Inc. at \$41 million. The ANCs work under minority preferences in federal contracting and several of the large national defense contractors like Boeing have lobbied for years to get rid of the preferences and the competition. However, federal agencies say they like the system because the preferences give them a lot of flexibility and an ability to get work under contract quickly as compared with the normal federal contracting system, which can be cumbersome.

So far President Trump's war on "equity" programs haven't affected the Alaska Native defense contracting but people are keeping their fingers crossed. The superior performance of the preference programs may be its salvation. Lobbying by big defense contractors could undercut that but these companies may have their sights set higher in the Trump administration.

Housing costs continue to climb

Housing costs and scarcity of affordable housing even in middle-income ranges continues to be a major problem in Alaska. Average single-family home prices rose 5% to \$459,089 in 2024. Home sales rose slightly compared with 2023 but were still at historic lows, according to Multiple Listing Service data. New home construction in 2024 was also low, and at levels similar to 2023. Similar problems affect rental prices, which are very high in smaller communities. A three-bedroom apartment in Sitka rents for \$3,000 a month, which with utilities rises to \$3,700. That's unaffordable for support workers in industries like seafood and tourism and for many professionals in all fields.