

Bradners' Alaska Economic Report

Alaska's only comprehensive business analysis — since 1974

PUBLISHER: Tim Bradner / FOUNDER: Mike Bradner
Business Office: (907) 440-6068 / Fax: (907) 345-5683

No. 2/2025 Feb. 21, 2025

LNG imports in a muddle? Two projects now announced. Do they compete?

We now have not just one but two projects to import liquefied natural gas, or LNG, to Southcentral Alaska. Imports of LNG are needed to offset declines in natural gas production from Cook Inlet gas fields. It's good news that we have companies now stepping up to do this because gas shortfalls are looming. Hilcorp Energy's contracts to supply gas to Chugach Electric and Matanuska Electric associations end in 2028 and both utilities will need new gas.

One project, announced recently, involves Harvest Alaska, a Hilcorp affiliate, purchasing the mothballed former ConocoPhillips LNG export plant at Nikiski, near Kenai. Certain facilities at the plant can be reconfigured for LNG import instead of export. The other project, announced previously, is for Enstar Natural Gas and Glenfarne, a New York-based energy project developer, to build a new LNG import facility also at Nikiski.

This would be at the site where the big Alaska LNG Project would have its gas liquefaction plant, tanks and dock for exports. An advantage of the Harvest/Hilcorp plan is that its project can be done in time to meet the 2028 gas shortfall for Chugach and MEA. An advantage of the Enstar/Glenfarne project is that the facilities built could also be used if the Alaska LNG Project to export gas goes ahead. If that happens, Alaska LNG would pay Enstar and Glenfarne so that consumers don't bear this cost in their natural gas prices. But there are other questions affecting both projects.

— Continued on page 2

In this Issue:

- Utilities, power curtailments p. 2
- AIDEA, funding projects p. 4
- ConocoPhillips, NPR-A p. 3
- Mat-Su coal power plant p. 7

Construction employment heads for a record

Buoyed by North Slope work, Alaska construction employment is headed for a 10-year record. Jobs in the industry totaled 25,200 in 2023 and another 2,500 were added in 2024. Expectations are that 2025 will see 2,200 more jobs. These estimates are according to data provided to legislative committees by the Associated General Contractors

of Alaska, the industry trade association. In comparison, peak employment over the last decade in construction was 25,000 in 2015. That was just before the 2016 oil price and state revenue crash caused state capital budgets and industry project work to implode. The estimate for 2025 construction jobs may be conservative, also. — See

Energy:

Two LNG import plans for Cook Inlet

- *Continued from top, page 1*

There are now two apparently competing LNG import projects in Cook Inlet. Obviously only one will be built. It would make sense for the LNG buyers, Southcentral utilities, to join together to support one and make it successful. However, Enstar Natural Gas Co. CEO John Sims told the Regulatory Commission of Alaska at a recent meeting that his company will not join an import project owned by Hilcorp and its affiliate Harvest. Sims said Enstar believes that Hilcorp would gain too much control over Cook Inlet gas, controlling the bulk of existing gas production but also now facilities to import LNG.

This creates a commercial challenge for the Hilcorp/Harvest plan because Enstar is by far the biggest utility customer for gas. Without Enstar's participation the Marathon LNG plant conversion may not work economically. Aside from Enstar, Chugach's initial purchases of LNG will be relatively small because the company has its own gas supply from the onshore Beluga gas field where it is 60% owner. That will decline like other gas fields in the Inlet, but it would leave Matanuska Electric as the major LNG buyer for a while. MEA may contract for new power from a coal power plant now planned (*see page 7*), which may cut into its need for imported LNG. One note is that Chugach estimates the cost of gas (from imported LNG) under the Hilcorp/Harvest plan to be in the \$13 to \$16 per thousand cubic range (mcf), in line with earlier estimates. That compares with \$8 to \$10 per mcf now paid for gas produced in the Inlet.

Utilities' power curtailment plans

Even though projects to import LNG are announced things could still go wrong. To deal with uncertainty the Regulatory Commission of Alaska, or RCA, will ask Southcentral Alaska electric utilities for their plans on how fuel supply-related power curtailments would work. Utilities provided information at a recent public meeting at the commission but more information will be requested, a commissioner said. Chugach and MEA have examined curtailment plans of major U.S. electric utilities to frame their thinking, the RCA was told. In Chugach's service area, mainly Anchorage and Eagle River, the conceptual plan would be alternating rolling power curtailments of about an hour long across the community. MEA's plan would be similar but with 30-minute alternating curtailments. Public safety and hospitals would be exempted.

Geothermal for small communities

Alaska energy developer Bernie Karl and his associates Dave Matthews and John Ziagos have formed Alaska Geothermal Partners, a wholly-owned subsidiary of Chena Power, to work on geothermal power and heating projects with small communities. Karl is best known for his development and demonstration of innovative warm temperature, as compared with hot, geothermal technology at Chena Hot Springs east of Fairbanks. There are many warm springs in Alaska, some near rural communities. Karl and his two partners were project managers on the larger Makushin Geothermal power generation project near Unalaska, in the Aleutians, from inception of the project through the final investment milestone. Chena Power remains a minority partner in the Makushin development.

Petroleum:

ConocoPhillips looks west from Willow

ConocoPhillips is beginning to look west in the National Petroleum Reserve-Alaska from its Willow project in the northeast NPR-A. There are new prospects. “We’re putting ourselves in a position to continue exploring west of Willow,” Kirk Johnson, the company’s Senior Vice President, told investment analysts at ConocoPhillips’ fourth quarter earnings call Feb. 6. President Donald Trump’s executive orders on oil and gas, and Alaska and the NPR-A in particular, have been very encouraging, Johnson said. ConocoPhillips already has one discovery in its federal leases in the petroleum reserve that it calls, with optimism, “Willow West.” There are also discoveries by other companies further west.

Trump’s NPR-A order is expected to reverse the NPR-A land regulations put in place in 2024 by former Interior Secretary Deb Haaland. A provision in the rules allowing protected areas in the petroleum reserve to be reviewed every five years and possibly enlarged and with new ones created has been a major concern for the industry. Haaland had proposed new and enlarged areas just before leaving office. Those will not happen now. However, turning back the land regulations has procedural complexities that will take time and perhaps a new Supplemental Environmental Impact Statement. That could take two years and likely longer since litigation is a certainty.

Meanwhile, Johnson was bullish on progress in Willow construction during the earnings call. “The mobilization for the winter construction season, our largest, has gone exceptionally well,” Johnson said. “Ice roads were built as well as bridges. Operations modules moved to the North Slope by sea last summer were being moved overland in December and January. The company is expecting to spend \$500 million more in this winter season than it did last winter,” he said. Project employment is much higher than last year, too, at about 2,400, roughly double that of 2024. Meanwhile, ConocoPhillips will also continue work its new Nuna project in the Kuparuk River field, which came on line in December. Nuna is the first new operations pad in the Kuparuk field in over a decade. Eight more production wells are planned at Nuna on top of 10 drilled previously, there, ConocoPhillips’ Alaska president, Erec Isaacson said.

North Slope oil work booms, stressing workforce. Nonresidents fill the gap

Winter oilfield employment continues to exceed most forecasts. Staffing for the Willow and Pikka projects will approach or reach 5,000, and Hilcorp is expanding its North Slope work this winter (see page 6). Labor economists have been puzzled as to why the North Slope boom isn’t being reflected in the broader economy, at least yet. Part of the answer is that a higher percentage of jobs are being filled by nonresidents, which is expected given the extremely tight labor market in construction and oil-related skills. The most recent data on nonresident workers from the Department of Labor and Workforce Development is 2023 and it shows a 24% increase in nonresident workers in construction and a 200% increase for North Slope construction. That trend is sure to carry on when 2024 and 2025 numbers are available.

Alaska Business News Summaries

AIDEA has projects in its pipeline and \$200 million available, legislators told

The Alaska Industrial Development and Export Authority, or AIDEA, told the Senate Finance Committee in Juneau that it has about \$300 million cash on hand and about \$200 million available for projects. One hundred million dollars must be kept on hand as reserves due to commitments to bondholders, but about \$200 million is available for projects, senators were told. The authority has a number of development projects pending and undergoing final review before being presented to its board, the committee was told. Among projects mentioned is a possible ore processing facility at Port Mackenzie in the Matanuska-Susitna Borough (likely linked to an anticipated gold and antimony mine in western Mat-Su. AIDEA will likely apply for federal permits soon for a 99-mile industrial road (West Susitna Access) to the mineral exploration areas. Legislators were also told that President Trump will likely approve the federal right-of-way for the Ambler Access Project, the 211-mile industrial road from the Dalton Highway west to the Ambler Mining District where companies are exploring copper discoveries. Former Interior Secretary Deb Haaland had cancelled permits for the road.

Mat-Su tourism doing well; new visitor center under construction this summer

Tourism was good for the Matanuska-Susitna Borough in 2024 and 2025 looks to be a repeat, data gathered by the Mat-Su Convention and Visitors Center indicates. Hotel and bed tax revenue paid to the borough totaled \$2.3 million; \$25.6 million was spent for short-term rentals (Bed and Breakfast-type) during the year; 22% of all restaurant spending and 23% of all retail spending came from visitors. Restaurant spending amounted to \$102 per visitor, and total average retail spending amounted to \$318 per visitor, according to the bureau's 2024 data. A new visitors' center for Mat-Su will be under construction with site preparation to begin in March and the structure to be completed by December. A \$6.8 million federal grant is funding most of the cost. Unlike many other projects the federal money was not stopped by new President Donald Trump. The bid, from Steppers Construction of Wasilla, is also locked in, so the project should not see cost increases like those roiling other construction this year (*see page 8*).

December job growth slows: Alaska Department of Labor employment survey

Alaska job growth slowed in December except for employers in oil and gas support work, the latest estimates from the Department of Labor and Workforce Development indicate. Total jobs are 1.9% above December 2023, with private sector employers up 2.1%. This is a dip from the prior three months which showed over 2% growth for total employment. As expected, construction was strong, up 6.8% from December 2023; oil and gas company direct employment was up 7.7%. Transportation, warehousing and public utility work, all related or influenced by the boom in North Slope projects, was up 1.1%, and professional and business services, which includes engineering, was up 2.2%. Health care continued its growth, 3.4% up from December 2023.

– Continued on next page

Alaska Business News Summaries, Cont.

– Continued from preceding page

Retail declined 1.1% year-over-year, which was a surprise given the normal surge of holiday spending on gifts during December. However, this is also an effect of increasing online purchasing and the closure of traditional brick-and-mortar retail stores. Leisure and hospitality employment, reflecting jobs in restaurants, hotels and drinking establishments, was up 1.3% in December, which did reflect holiday spending as well as an increase in winter tourism in Interior Alaska where visitors are drawn to the aurora. Manufacturing, mostly in seafood processing, was down 400 jobs year-over-year in December, reflecting the ongoing problems in the state’s seafood industry.

Minerals:

Trilogy Metals completes Preliminary Economic Feasibility Study for Bornite copper

Trilogy Metals Inc., a Vancouver, B.C.-based “junior” mining exploration firm, has completed a Preliminary Economic Assessment Study, or PEA, for the large Bornite copper deposit in Northwest Alaska. Bornite is owned by Ambler Metals LLC, which is owned 50-50 by Trilogy and Australia-based South 32, a major mining company. The joint venture is exploring discoveries in Northwest Alaska including the high-grade Arctic copper deposit. Bornite was discovered 70 years ago and explored for several years by Kennecott Minerals. Kennecott turned its attention to its discovery at Arctic, which has taken priority. Ambler Metals has recently resumed work at Bornite and Trilogy undertook the first PEA for a mine. The study is very preliminary in nature, Trilogy cautioned.

Highlights of the study: Resources of 1.9 billion pounds of copper were identified, sufficient for mining over 17 years. The PEA describes technical and economic feasibility of a 6,000 tonne-per-day mine. “Tonne” is a U.K. and Canada weight unit of 2,200 lbs. vs. a “ton,” a U.S. unit, which is 2,000 lbs. Initial capital required would be \$503.8 million with additional capital of \$363 million over the project life. Operating costs are estimated at \$98.91 per tonne milled. All-in cost per pound of copper is estimated at \$3.35. The study assumes a 4.20/pound price for copper. Post-tax Internal Rate of Return is estimated at 20%. The assessment assumes that the Bornite deposit would be developed after the Arctic deposit. Together the two would underpin mining in the area for 30 years, the PEA says.

Couer Alaska, Hecla Greens Creek working with university, local schools on recruitment

Couer Alaska and Hecla Greens Creek Mine are working with University of Alaska on “Mining Pathways” to bring new workers into underground mining. High school students in Juneau can earn college credit and a Occupational Endorsement which can get them into the university’s Mining and Petroleum Training Service mine training program at Delta, east of Fairbanks. Graduates of that can enter jobs paying \$90,000 per year. The University of Alaska is the state’s leading training provider, offering over 200 career and technical education programs. Many of these are done with industry partners like the Associated General Contractors Alaska. UA’s construction management degree program has been popular.

Petroleum:

Hilcorp: \$900 million on slope this year

The Willow and Pikka projects by ConocoPhillips and Santos, Ltd. are being closely watched this year but Hilcorp Energy has a busy winter season planned at North Slope fields it operates east of Pikka and Willow. The company briefed state legislators in Juneau Feb. 10. Hilcorp plans to spend \$900 million in 2025 on slope projects, up from \$870 million in 2024, Jill Fisk, a senior Hilcorp manager, told legislators.

From east to west, Hilcorp is operator at the Point Thomson gas/condensate projects and the Endicott and Northstar offshore fields. Onshore, the company operates the large Prudhoe Bay field along with Milne Point. Hilcorp is operating five drill rigs this year on the slope, Fisk said.

At Point Thomson, Hilcorp is reactivating a Doyon Drilling rig this winter with plans to move it to Point Thomson by ice road next winter to drill a second gas and condensate well. This will allow Point Thomson liquid condensate output to double and fully use capacity in the pipeline built west to Badami and Prudhoe Bay.

At the large Prudhoe Bay field Hilcorp plans to drill 58 wells this year with both conventional “rotary” rigs and lightweight, truck-mounted coiled-tubing units, Fisk said. There are now 47 drill sites and production pads at Prudhoe, 1,000 miles of pipelines, 230 miles of oil field roads and about 1,000 producing wells.

A major focus for Hilcorp at Prudhoe this year is new development of viscous, or thick, oil in the undeveloped parts of Prudhoe’ west end.

– *Continued top right*

Prudhoe Bay’s underdeveloped west end

– *Continued from left*

Hilcorp has been able to increase the west-end viscous oil production from 10,000 barrels per day in 2020 to 30,000 barrels per day now. More increases are coming. Modifications to field production plants are underway to handle more of the thicker oil and construction of a new 30-inch liquids pipeline and 12-inch gas line is underway this winter to support new production. Hilcorp currently has 830 employees and 1,500 contractor employees working at Prudhoe, Fisk said.

At the Milne Point field, which is adjacent to Prudhoe Bay, production reached 51,000 barrels per day in January, a record. The field has been a real success story. When Hilcorp acquired Milne Point from BP in 2014 production was 14,000 barrels per day. Hilcorp has been particularly successful with its use of a polymer flood (injection) to increase viscous oil production at Milne Point.

Interestingly, BP’s managers in Alaska proposed the polymer project to increase viscous oil production but were unable to get corporate approval. Hilcorp decided to go ahead with the technology after it acquired the field from BP. It has been a big success. The company began the injection of polymers in 2018 and is now injecting 60,000 barrels a day with plans to increase it to 160,000 barrels per day. Hilcorp will also use the technology to increase production at the Nikaitchuq field that it recently acquired as well as the Ugnu heavy oil deposit at Milne Point. Hilcorp now has 110 employees and 400 contractor employees working at Milne Point.

Minerals/Energy:

MEA in talks on new coal power

Alaska companies are working on plans for a large coal mine and a 400 Megawatt power plant in a remote area 150 miles northwest of Anchorage, a potential \$2 billion-plus project. So far one customer, Matanuska Electric Association, or MEA, is in discussions to purchase power, its CEO, Tony Izzo, said at a recent Alaska Energy Authority board meeting.

The developer, Terra Energy Center, an affiliate of Alaska-based Flatlands Energy Corp., would combine carbon capture technology in the power plant and transport carbon dioxide by pipeline to the Beluga gas field near Anchorage for underground injection and storage, Chad Schleucher, Terra Energy's CEO, told the energy authority's board in a briefing. CO₂ would be sequestered in unused reservoir space in the Beluga field under a new state program encouraging carbon capture and storage. Flatlands is developing the coal mine.

Schleucher has asked the AEA, the state energy authority, to support the company's application for a \$400 million U.S. Department of Energy (DOE) clean coal technology grant that the DOE could make available. The Alaska Industrial Development and Export Authority, or AIDEA, the state's development finance corporation, is considering a role in helping finance the power plant, its director, Randy Ruaro, said previously.

Total project: \$3.5 billion estimated

Assuming a 400 Megawatt capacity, the coal power plant has been estimated at \$2.2 billion in a preliminary cost estimate with an added \$1.3 billion needed for the carbon capture facilities.

– Continued top right

521 million tons of coal identified

– Continued from left

That's according to materials presented by Terra Energy to the AEA board. If the federal clean energy tax credits are still available, the capital cost for the project, including carbon capture, would be reduced to \$2.2 billion with total capital outlay at \$3.5 billion, according to information presented.

Schleucher said Flatlands has been working on its exploration of state coal leases in the area for six years and has identified 521 million tons of subbituminous coal with low sulfur. The coal is similar to large known resources in the Nenana Coal Fields further north, where Usibelli Mine Inc. now operates Alaska's only coal mine. The company has also done extensive environmental baseline monitoring in preparation for filing permit applications for the mine, Schleucher said.

Terra Energy expects to complete preliminary Front-End Engineering and Design for the power plant by the end of March and plans to file its application for the U.S. DOE grant in July. A concept paper for the project required by DOE will be done in early March.

The feasibility studies are based on the plant operating for 30 years, which would require 225 million tons of coal or less than half of the coal resource identified in Flatlands' exploration, according to materials given to the AEA board. Terra Energy and Flatlands have been working with the University of Alaska Fairbanks on studies of the economic feasibility of the mining and carbon capture and including the cost of a 60-mile pipeline to move captured CO₂ to the Beluga field for injection as well as transmission lines.

Cost increases roil state's highway programs

Construction contractors are unhappy about the amount of state transportation funding hitting the street this year, but Department of Transportation and Public Facilities officials cite unusual factors including right-of-way and utility relocation problems. A big factor, however, is a jump in cost increases which is hiking bids and eating into funds available. That is requiring some bids to be rejected, causing delays.

Here are some examples of project increases DOTPF provided the Legislature this week:

- St. Mary's airport improvements: Final engineers' estimate at \$42.39 million; low bidder (in 2022) at \$53.58 million, a 26.4% increase
- Marshall airport improvements: Final engineers' estimate at \$16.63 million; low bidder (2023) at \$25.7 million, a 54.4% increase
- Deadhorse Airport improvements: Final engineers estimate at \$34 million; low bidder at \$44.67 million (2024), a 31% increase
- Chalkyitsik Airport improvements: Final engineers' estimate at \$10.75 million; low bidder at \$22.9 million (2023), a 113% increase
- Little Diomed helipad improvements: Final engineers' estimate at \$6.13 million; low bidder at \$32.75 million (2023), a 434% increase

There have also been cases where bids have been rejected as being too high and several cases where no bids were received, according to materials given legislators by DOTPF.

DOTPF contract awards did decline from \$815.2 million in Federal Fiscal Year 2022 to \$736.7 million in FFY2023 and to \$630.6 million in FFY2024. The estimate for FFY2025 is \$935 million, according to the Feb. 13 presentation to the Legislature. DOTPF has since added \$179.4 million to the estimated FFY2025 contract awards, bringing the FFY2025 estimate to \$1.114 billion.

Contractors, owners now worry about Trump tariff inflation and wood, labor demand in California rebuilding from wildfires

Project inflationary effects like those above have been building for several years but contractors and project owners are now apprehensive about the effects of President Trump's tariffs on steel and aluminum and counter-tariffs sure to follow. Another factor will be the demands on lumber and skilled workers for rebuilding from wildfires in southern California.

A project we'll watch is Palmer's city-owned new public library replacement for the one damaged by a roof cave-in. This project is in final design and expected to go to bid this summer. If costs rise dramatically it will present a major challenge for the community.