

*Bradners'*  
**Alaska Economic Report**  
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## Will Trump deliver Alaska LNG Project?

### President's strong support raises profile of big project

The proposed Alaska LNG Project is in the international news following President Trump's ringing endorsements and push for Asian nations to invest and sign long-term contracts to buy U.S. liquefied natural gas, or LNG, from Alaska. Work on the big gas project, which includes an 800-mile, 42-inch gas pipeline built from the slope, has been underway for decades. The high and now more uncertain capital cost, has been the key barrier.

However, The state-owned Alaska Gasline Development Corp., or AGDC, has continued to work on the project, building on work earlier done with North Slope producers. Alaska LNG is now fully permitted, including its Federal Energy Regulatory Commission license as well as a U.S. Department of Energy permit allowing exports of up to 20 million tons of LNG yearly. All that is needed now are buyers.

Despite the push from Trump, Asian LNG buyers are cautious. An updated capital cost will be developed after AGDC signs an agreement with New York-based Glenfarne to be the project developer. The signing is close, sources say. The cost will certainly be higher than the \$42 billion now estimated. To finance the project, long-term LNG purchase agreements are needed and potential buyers in Asia are leery to being locked into what could be a high-cost LNG supply when less expensive LNG will be on the market, Japanese industry officials told *Reuters*. However, the capital cost is still unknown and there are two factors that may mitigate it.

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### Studies underway on renewable aviation fuels plant

The state Department of Transportation and Public Facilities is well along in a study of a renewable aviation fuels plant that could supply cargo and passenger air carriers at Ted Stevens International Airport in Anchorage. Air carriers have asked the DOTPF to work on the idea, specifically Atlas Aviation, the major air cargo operator flying and

refueling at Anchorage, and Alaska Airlines, the major passenger carrier. Atlas and other international cargo carriers say they need the fuel to meet European Union rules for airlines to use a certain percentage of renewable fuels, which would be blended, or mixed, with conventional jet fuel.

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## **Energy:**

### **Work proceeds on LNG import facility**

Harvest Alaska, a Hilcorp Energy affiliate that focuses on infrastructure, is working on the engineering and design for facilities needed to import liquefied natural gas, or LNG, to the former ConocoPhillips LNG export plant at Nikiski now owned by Marathon Petroleum. Harvest is in the process of acquiring the LNG terminal. Chugach Electric, the major electric utility for Southcentral Alaska, will contract with Harvest to acquire gas, imported as LNG. Chugach's contract with Hilcorp for gas supplied from Cook Inlet wells ends in 2028. The cost of converting the Marathon plant to import rather than export LNG will be known when the engineering now underway is complete. Chugach said the plant should be ready to import LNG as early as 2026 and will be able to supply customers other than Chugach.

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### **Solar stalled wind projects proceed**

Solar projects planned for the Mat-Su, Kenai and Interior regions of Southcentral Alaska are on hold after investors pulled out, at least for now, until there is more clarity over future electricity prices in the region as utilities move ahead with plans to import LNG. Renewable IPP, the developer, also said uncertainty over the future of federal "45Q" renewable energy tax credits is also a factor. However, developers of wind projects in the Mat-Su and Interior Alaska say they are proceeding in spite of the uncertainties, at least so far. Fairbanks-based Alaska Renewables plans projects at Shovel Creek, near the Interior city, and near Mount Susitna west of Anchorage. Meanwhile, Longroad Energy, of Boston, has purchased the wind projects although Alaska Renewables is still the developer.

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### **Cook Inlet geothermal leasing, drilling**

Alaska's Department of Natural Resources will be accepting bids April 3 on a geothermal lease sale on Augustine Island in Cook Inlet where there is an active volcano. The sale involves 55,771 acres of onshore lands and tidelands. Bids will be cash bonus with a fixed royalty. Results of the sale will be announced April 22. Anchorage-based GeoAlaska has been exploring Augustine with plans to drill a test well in 2025 under a state permit procedure, now replaced by leasing for future work.

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### **Tidal power project in Cook Inlet**

In another Cook Inlet renewable energy development, Ocean Renewable Power Co. is continuing permitting and environmental work, or ORPC, for its test tidal power project at East Forelands, on the Kenai Peninsula. The project will connect with a Homer Electric Assoc. substation near the area which has the capability to accept 2 megawatts from the tidal project. The U.S. Department of Energy approved a \$3 million grant for the project test work in 2024. An application for a \$29 million development grant is pending. ORPC says it will pursue other financing if the grant is not awarded.

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### **Regulators consider LNG imports**

The Regulatory Commission of Alaska is facing a hot-button issue on whether to approve a request by Enstar Natural Gas Co. for \$50 million in advance billing to customers to pay for engineering and planning on proposed liquefied natural gas import facilities at Nikiski. It's an unusual request because the expenses would be put into consumers' bills before it is known whether the import facilities will be built.

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## Trump's freeze of funds for Alaska grid project now thawed

A freeze by President Donald Trump of federal funds for new power transmission facilities in Southcentral Alaska is lifted, according to sources in the Alaska Energy Authority, the state agency building the \$413 million project. AEA has kept planning and engineering studies on track using funds appropriated for a required 50% match. Now that the freeze on the federal funds is thawed the agency can proceed with construction planning. The project involves a cross-Cook Inlet submarine cable from Nikiski to Beluga and upgrades of transmission lines to move Bradley Lake hydro power to the Mat-Su Borough and Anchorage, creating an alternate route for power to major population areas.

### **Renewable aviation fuels plant in Alaska**

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Alaska's DOTPF, which manages the state-owned international airports in Anchorage and Fairbanks, secured a \$275,300 Federal Aviation Agency grant which it combined with other funds to retain Burns and McDonnell Engineering Co. to review technical requirements of an Alaska-based plant. A second firm, Mason, Bruce and Girard, was hired assessed available biomass resources that could supply a plant. The biomass under consideration includes beetle-killed spruce and other damaged timber in the Matanuska-Susitna Borough and the Kenai Peninsula as well as fish oil from processing plants in coastal communities. Reports from both consultants are now done and a DOTPF team is compiling the results and will provide recommendations on further work to Gov. Mike Dunleavy in June, according to sources familiar with the work.

Atlas Aviation and Alaska Airlines asked the DOTPF to investigate the idea but several other carriers, mostly international cargo operators, say they are now interested in the fuels. Sustainable aviation fuel, which is made with biomass and blended with conventional hydrocarbon-based fuel, is now being produced in small quantities used in tests by air carriers. However, production is expected to ramp up so that carriers operating internationally can meet new requirements in European Union rules for use of the fuel. The EU is requiring air carriers to supply 10% to 30% of their fuel with sustainable fuel by 2050.

Anchorage's Ted Stevens International Airport, a major refueling hub for international cargo carriers, could a good location for supplying the renewable aviation fuel, state officials say. Almost a billion gallons of jet fuel is supplied annually to air carriers in Anchorage and conceptual studies show that 150 million gallons of that could be renewable fuel if the project proceeds. It would seem logical that facilities to produce the new fuel could be built at the Marathon Petroleum Co. refinery at Nikiski, on the Kenai Peninsula, which now supplies jet fuel and other products by pipeline to Anchorage. But logistics costs would include gathering and transporting of biomass material. The work so far indicates that it may be more cost effective to build a plant near the biomass supply source. For example, a plant might be built at Port MacKenzie, on upper Knik Arm of Cook Inlet, which could be supplied from large areas of damaged timber harvested in the Mat-Su region.

# Alaska Business News Summaries

## **Another good tourism year is shaping up for 2025, business leaders and legislators told**

Another good tourism year is shaping up for 2025, the Alaska Travel Industry Association have told business leaders in Anchorage and state legislators in Juneau. The association, or ATIA, said 3 million visitors came to Alaska last year, a record. Growth is expected to continue with another 2% this year, the association said. The visitor industry has completely recovered from its disastrous pandemic years. There are some interesting trends within the industry. Cruise lines have captured the lion's share of growth over the past five years, increasing from 60% of visitors in 2019 to 64% in 2024 while independent travelers, who come by air, highway and ferry, have seen market share drop from 40% to 34% of visitors. This is significant for the economy because independents spend more in the state than do cruise tourists, studies show. For 2025 passengers numbers are expected to be flat, but in 2026 two new cruise lines will be in Alaska waters and growth will resume in the cruise sector, according to ATIA data. Overall, visitor numbers have increased 63% in the last 10 years. This year could also be better for independent visitors. Airlines serving Anchorage are making 6% more seat capacity available this summer. Carriers serving Fairbanks have increased capacity by 5%, ATIA said.

## **Despite its strength, visitor industry faces challenges, U.S. federal policies among them**

If the economy softens due to new U.S. tariffs and counter-tariffs by trading partners domestic consumer spending may chill and which could be reflected in vacation spending. President Trump's rift with Canada, with tariffs and counter-tariffs, could also affect cruise ship traffic in and out of Vancouver, B.C., where most ships start their Alaska voyages. There may be fees for vehicles on the Alaska Highway, a reaction to the president's policies, and less Canadian hospitality to Americans visiting after talk of the U.S. forcing Canada to become a 51st state. But for now, the tourism outlook appears healthy.

*Another challenge to the cruise industry is a new citizen initiative in Sitka to limit cruise ships that succeeded in getting the required 613 qualified signatures to be placed on the ballot in a special election that has been set for May 30. The ballot proposition would cap cruise passengers at 300,000 yearly, 4,500 per day and limit ship calls to six days a week. A similar ballot proposition was defeated in Juneau last year.*

## **Another construction boom shaping up – this one in Southcentral Alaska**

Construction is booming on the North Slope with new oil projects but another boom is shaping up with new power generation and transmission projects in Southcentral Alaska. Between the planned Dixon Diversion expansion at the Bradley Lake hydro project near Homer; rebuilding of the Kenai Peninsula transmission grid connecting Bradley Lake to Anchorage, and the planned new subsea cable connection across Cook Inlet, about 5,000 will be at work on construction in the next few years. The skill sets will be different than for the North Slope but the economic impact will still be significant.

### **Anchorage housing tight; lack of affordable housing feeds homelessness**

Leaders of an Anchorage housing nonprofit said they were shocked when they received 1,300 requests for emergency rent assistance two days after announcing the availability of \$500,000 in federal emergency housing money. Based on that and other indicators, the Anchorage Coalition to End Homelessness warned of an escalating affordable housing problem in the city and estimated that 1,000 households are at risk of eviction due to rising rental costs. Of those requesting aid, 375 said they were already homeless while 1,008 said they could lose their rented housing within 14 days. However, the \$500,000 is only enough to help 20 households through to the end of September. Rents in Anchorage reached their least affordable levels in two decades in 2023. About 3,000 people are homeless in Anchorage, according to data gathered by the coalition. Emergency shelter beds are full and about 500 people are living outside, according to the data. The shelters close in late spring, which will put more people outside. Anchorage officials have about \$5 million in federal emergency housing funds and will soon begin making grants through local nonprofits. The money is enough to help about 500 families.

### **Anchorage housing market now classed as “extremely” tight**

Housing is extremely tight in the Anchorage market, real estate brokers say, with an “absorption” rate for inventory at 0.88. A rate below 6.0 is a “seller’s market” and a rate below 2.0 is an “extreme” seller’s market. The greatest demand is for homes in the \$300,000 to \$700,000 range, brokers say. In rental markets, rents have increased 45% nationally over the last 15 years and have climbed faster in Alaska

### **Anchorage, Mat-Su school districts grapple with big deficits; hope for new state funds**

Anchorage’s school board voted on a Fiscal Year 2026 budget that would cut funding by \$40 million-plus unless the Legislature and Gov. Mike Dunleavy make more funds available this spring. Unless the added money comes, the district will cut 380 teachers and administrative workers, end many programs, including in sports, and increase class sizes. The district faces a \$107 million shortfall for the 2025-2026 school year due to rising costs and several years of flat state funding. This assumes no draw on the district’s fund balance, or reserves. If the fund balance is used the deficit drops to \$60 million. The school board had to have a balanced budget to the Anchorage Assembly by March 1, which assumed no new state money because the Legislature was still in session.

Other school districts face similar uncertainties. Mat-Su schools face a funding gap of \$25 million to \$45 million, depending on how much the state makes available. Any new state funds won’t be known until the Legislature finishes the state budget, likely in late May, and the governor makes vetoes and gives final approval, which is likely in June.

### **Anchorage, Mat-Su school districts grapple with big deficits; hope for new state funds**

Anchorage’s municipal assembly voted to postpone indefinitely a proposed 3% sales tax that would have gone before voters in a September election. Property tax relief and new city amenities were part of the plan for use of new revenues.

## **Petroleum:**

### **BlueCrest plans to tap gas deposit**

BlueCrest Energy has plans to drill three wells from onshore into a known gas deposit in the company's offshore Cosmopolitan project in Cook Inlet near Anchor Point, on the Kenai Peninsula. The undeveloped gas overlies an oil deposit that BlueCrest is now producing with wells also drilled from shore. The new drilling is contingent on securing financing, however. BlueCrest has submitted applications to the state's Alaska Industrial Development and Export Authority to fund drilling. The AIDEA funds would be combined with private investment. AIDEA is also now helping fund new drilling for gas at the Kitchen Lights offshore field owned and operated by HEX Alaska.

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### **ConocoPhillips to drill at Minke**

ConocoPhillips plans to drill three new wells in its new Minke project on the North Slope. Minke will be developed from the company's CD5 production pad near the Alpine field. An exploration well was drilled in early 2024 to confirm resources at Minke. The new drilling will provide production data for planning full development. Minke is one of several incremental new projects ConocoPhillips is pursuing while it also develops its larger Willow project.

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### **Slope workforce doubles from 2024**

The North Slope winter construction workforce this winter is about double that of last year as companies continue development at the Pikka and Willow projects. ConocoPhillips will have about 2,400 at work on Willow, and Santos Ltd. will have an estimated 1,800 at Pikka.

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### **Forecast on new slope production**

The state Department of Natural Resources trimmed its estimate of Fiscal Year 2026 Alaska oil production by 6,000 barrels per day. Expectations had been for output to bump up next year but it appears now this will not happen for various reasons. Slope production is now expected to remain generally the same as in current FY 2025. The new forecast came in the spring revenue update issued by the Department of Revenue last week. The DNR does the production part of the spring update. Sources in DNR said several new producing wells expected to be drilled (and to be in production next year) will not be drilled. Field operators cited competition for equipment and higher costs due to the intense activity on the slope with the Pikka and Willow fields in construction. This will push the drilling schedule into the future.

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### **Santos: Pikka project 80% complete**

The new Pikka project on the North Slope is now 80% complete, Santos Ltd. officials said. Pipeline construction is progressing well and will be complete in two winter seasons, Santos Executive Vice President Bruce Dingeman said. This puts the company in a good position to begin production at Pikka at the end of this year rather than mid-2026, the initial forecast, Dingeman said in a statement. However, this still depends on weather that could affect scheduled barge delivery of production modules via the Hay River in Canada, he said. Pikka's phase one will produce 80,000 barrels per day of new oil. The company is in advanced planning for a phase 2, which will produce an additional 80,000 barrels per day.

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## **Alaska LNG:**

### **Risks and advantages with big project**

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LNG buyers may be able to lock in stable prices for buying natural gas with North Slope producers who own the large gas reserves now “stranded.” ExxonMobil and Hilcorp Energy are major gas owners on the slope along with the state of Alaska with its royalty gas. Long-term purchases may shield Asian buyers from volatility in world LNG markets, an advantage. Also, the shorter shipping distance for the LNG from Alaska to Asia compared with alternative LNG from the Persian Gulf, Australia or the U.S. gulf coast is an advantage, and shipping costs do weigh heavily in the total cost of supplying LNG.

AGDC said the cost of completing the Front-End Engineering Design for the project will be about \$150 million, and this will include a new capital cost estimate. Preliminary engineering, in a “pre-FEED” and cost estimate, were done in 2016 by ExxonMobil when it led a consortium working on the project. The \$150 million is much lower than estimates of several hundred million for the final FEED estimated by ExxonMobil at the time, but people familiar with the project say that earlier estimates assumed that the cost of regulatory and environmental work would be included in that. This work has now been done, with the state, through AGDC, paying the cost for the FERC license and environmental impact statements.

The Finance Committee of the Alaska State Senate has estimated that, overall, the state has invested about \$1 billion in Alaska LNG Project work. North Slope producers have invested a similar amount in earlier work, according to estimates.

### **Alaska LNG – Trump focuses project**

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President Trump has now focused the attention of governments in Japan, South Korea and Taiwan on the issue, which they see as a potential factor in changing trade relationships with the U.S. The question is whether the governments can or are willing to pressure their utilities and industries into buying LNG with the risk that it may lock in commitments to a long-term supply that may turn out to be high cost. The solution may be government guarantees to private buyers to shield them from the risk. For the short-term, President Trump’s championing of this project, if it continues, puts a spotlight on Alaska LNG that it has never had before. Given the volatile situation on trade issues this could make a difference. However, a fly in the ointment could be desires by buyers that their steel, components and contractors be used. This could be contrary to Trump’s “Buy America” policies.

In the long term, if the Alaska LNG infrastructure could be built, it would open up a very long-term source of new energy supply. Beyond the known 35 trillion cubic feet of gas reserves on the slope there are substantial additional resources that will be developed once a pipeline is in place.

Here’s some additional background: Alaska LNG is really three projects, each a mega-project on its own. First is the 800-mile pipeline; second is a large gas conditioning and carbon dioxide injection project for the slope, and third is the large LNG export plant that would be on the south end of the pipeline. AGDC and Glenfarne will present these as separate projects to investors. Alaska investors may be included in some of these projects.

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## **Petroleum: New North Slope oil discovery east of Prudhoe Bay**

Armstrong Oil and Gas has made an oil discovery at its Sockeye 2 exploration well, east of Prudhoe Bay, Santos Ltd., a 25% partner with Armstrong, announced in a press release Tuesday. In addition to Santos, Armstrong subsidiary Lagniappe holds a 25% interest and is operator, and Apache Corp. owns 50%. Armstrong has been exploring the area for three years and drilled test wells last winter but had to cut the program short because of bad weather. The company returned to the area this winter to resume testing. In its press release Santos, which is based in Australia, said the Sockeye 2 well was drilled to a depth of 10,500 feet and encountered high quality oil in a 25-foot section of net oil pay in rock with an average porosity of 20%. Apache also announced the discovery.

### **Companies rushed to announce find, a good signal**

Few other details were released but the fact that two public companies among the three, Santos and Apache, moved quickly to issue press releases indicate that the find is important. Publicly-traded companies are required to announce significant events. “We are pleased with the Sockeye 2 exploration discovery and its confirmation of resource potential over our Lagniappe leasehold,” Bruce Dingeman, Santos Executive Vice President and Alaska President said. John J. Christmann, Apache CEO, said: “We are very encouraged by the results at the Sockeye-2 well, which further proves our geologic and geophysical models and confirms a working hydrocarbon system.” The Lagniappe leasehold, a large acreage area of state of Alaska leases, was assembled over several years by Armstrong Oil and Gas CEO Bill Armstrong, a veteran North Slope explorer who led the exploration leading to discovery of the Pikka field in the western slope now being developed by Santos and Repsol, a partner.

No other information is available yet on the Sockeye discovery, but Armstrong said the project and others like it nearby hold similarities to geology where the Pikka find was made. Further drilling and flow tests will be needed to determine commercial viability. However, the find is a few miles south of existing pipeline infrastructure that connects the producing Point Thomson condensate and small Badami oil field to the Trans Alaska Pipeline System at Prudhoe Bay.

### **Companies have been exploring for years in the area where Armstrong is drilling**

Companies have been exploring for years in the area where Armstrong is drilling but have been unsuccessful. ConocoPhillips acquired leases in the area but subsequently shifted its attention farther west to the National Petroleum Reserve-Alaska where it made its Willow find now under construction. Sockeye 2 discovery is the latest of several oil and gas finds along a geologic trend east of Prudhoe Bay toward the boundary of the Arctic National Wildlife Refuge at the Canning River. Over several years ExxonMobil made the Point Thomson discovery, a large gas and condensate deposit; and Savant, a Denver-based independent, found the small Badami field near the Beaufort Sea coast midway between Point Thomson and Prudhoe Bay, which is now producing. BP also made the Sourdough find farther east, virtually on the border with ANWR and that is undeveloped.