

ALASKA LNG

PROJECT TIMELINE, ENVIRONMENTAL REVIEW AND CROSSING COOK INLET

Cook Inlet Regional Citizens Advisory Council – Dec. 4, 2015

By Larry Persily, special assistant to Kenai Peninsula Borough Mike Navarre

Project description

2

- 804-mile, 42-inch pipeline to run south from Prudhoe Bay oil and gas operations to Nikiski
- 60-mile pipeline to bring in Point Thomson gas
- Gas treatment plant at Prudhoe to remove CO₂ and other impurities for reinjection underground
- Nikiski LNG plant near Tesoro refinery, Agrium fertilizer plant and the ConocoPhillips LNG plant
- Expect up to 20 carriers a month calling at Nikiski

Project's possible timeline

3

- 2nd draft environmental reports 1st quarter 2016
- Full application, final reports 4th quarter 2016
- Draft environmental impact statement late 2017
- Final EIS and FERC decision by late 2018
- Final investment decision late 2018, early 2019
- First LNG production late 2024 or early 2025
- Market, political challenges could change the dates

Construction superlatives

4

- Peak direct construction work force 15,000
- 115,000 40-foot sections of 42-inch pipe
- 9,000 pieces of equipment to build pipeline
- 18 million cubic yards of gravel for pipeline work
- 447 waterbody crossings (over, under and through)
- Each section of concrete-coated pipe for 29-mile Cook Inlet crossing will weigh as much as 33 tons
- 4 million cubic yards of overburden at LNG plant

LNG plant, marine terminal

5

- Tanker-loading pier could extend 3,200 feet
- Lengthy pier would avoid need for dredging
- Materials Offloading Facility (MOF) at LNG site for bringing in modules and heavy equipment
- MOF could require dredging to 30-foot depth, estimated at 1 million to 2 million cubic yards
- Deliveries of 250 modules, 60 ships, over 3 years
- Project would dismantle facility after construction

2015 field work

6

- Data gathering, environmental baseline work, preliminary engineering and routing decisions
- Onshore and offshore boreholes, test pits, groundwater monitoring wells, geophysical and geotechnical work, test dredging, seabed mapping
- Stream-crossing surveys (300 total) along route, wetlands mapping (200,000 acres through 2015)
- Partners to decide Dec. 4 on 2016 work plan

Logistics, labor and land

7

- Detailed logistics report underway, detailing what would move, how and when during construction
- Report will look at all ports, roads, rail and airport options for moving equipment and workers
- Labor supply and demand study also underway
- Alaska LNG has acquired ownership or options for 600 of 800-900 acres in Nikiski needed for liquefaction plant, storage tanks, marine terminal

Regulatory work

8

- Alaska LNG team working with Coast Guard on Cook Inlet Waterway Suitability Assessment
- And with federal pipeline, LNG safety regulators
- FERC, Pipeline Safety Administration, TSA will set safety and security zones for pipeline, LNG plant
- Dec. 4 deadline for public ‘scoping’ comments to Federal Energy Regulatory Commission for EIS
- FERC has contracted with NRG to draft EIS

The property tax problem

9

- How much is a mile of pipeline worth?
- Tax assessment of TAPS disputed for decades
- Producers — and state — want to avoid repeat
- Negotiated impact aid fund during construction
- Negotiated payment in lieu of tax for operations
- Impact aid fund: \$800 million over 5 years
- PILT: \$14 billion over 25 years (depends on volume)

Sharing is the hard part

10

- ❑ Does state pay its 25% into the impact fund?
- ❑ Does the state get to draw on impact fund?
- ❑ Does state pay its 25% of PILT during operations?
- ❑ How much of the PILT does the state take?
- ❑ Municipalities OK with \$800 million / \$14 billion
- ❑ But if state doesn't pay its 25% share and draws on the funds too, there'll be less for municipalities

Impact aid during construction

11

- Intended to cover direct cost of services, repairs, improvements related to the Alaska LNG project
- Not a profit center for municipalities
- The \$800 million represents a negotiated number
- Project writes one check to the state
- Probably administered as a state grant program
- Municipal advisory group wants to talk about how the grant program will work — details are unknown

PILT during operations

12

- Just as with impact aid, project writes check to state
- Original cost, times depreciation, times inflation, times gas flow through three project components
- State and municipalities need to decide allocation
- Producers want no part of the political battle
- Mileage-only allocation presents problems
- PILT agreement to run 25 years, then renegotiate

The decision process

13

- Impact aid grant program will require legislation
- PILT allocation also will require legislation
- Municipal advisory group is just that — advisory
- Expect spirited debate among legislators, municipalities, state officials over sharing the money
- Largest project impact and property will be located in Kenai Borough and North Slope Borough
- But all Alaska municipalities may want a share