

Alaska Wants To Re-Open LNG Plant

Dan Joling, AP

The state of Alaska wants ConocoPhillips to re-open its mothballed Kenai Peninsula liquefied natural gas plant as an incentive for petroleum companies to explore and invest in Cook Inlet. In a September 5 letter to ConocoPhillips President Trond-Erik Johansen, acting Natural Resources Commissioner Joe Balash requested that the company apply for a three-year federal LNG export license for the plant at Nikiski, about 70 miles southwest of Anchorage. ConocoPhillips in March announced it would not extend its natural gas export license beyond March 31, but said it would consider a new license if the needs of local gas markets were met and sufficient natural gas was on hand to export.

Balash said contracts are in place to support local utility needs through 2018. Concerns exist, he said, for future exploration. "Without market opportunities for gas discoveries, companies lack the incentive to invest in continued exploration activities," he wrote. "In addition to the economic challenges this would present for those employed in the Cook Inlet energy industry, a lack of healthy exploration now may lead to supply contractions in the future as existing wells' production levels decline."

ConocoPhillips spokeswoman Natalie Lowman said Tuesday the company appreciates the state's comments and shares its interest in promoting local energy security and the local economy. "We're going to begin evaluating this and working with stakeholders to evaluate the feasibility of resuming LNG export," she said. The U.S. Geological Survey has estimated the Cook Inlet basin may hold trillions of cubic feet of gas, Balash said.

"More market opportunities would create a more attractive business environment for gas sales that would in turn encourage aggressive exploration," he said. Balash also requested that ConocoPhillips install equipment that could be used to truck LNG throughout Alaska. The plant could back up plans for providing North Slope natural gas to Fairbanks and other interior Alaska communities. Lowman said truck-rack facilities would be part of the evaluation.

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