Friends of the Earth

Donald Trump's Pipeline to Nowhere: The risk of Alaska LNG to taxpayers and the climate

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Executive Summary

- The Trump Administration is using fossil fuel exports as a weapon in its escalating Trade War. Pressure is growing on countries in the Asia Pacific to reduce trade deficits with the U.S. by committing to the giant Alaska LNG project. But it is taxpayers in the U.S. that may soon bear the cost of Donald Trump's dirty diplomacy.

- At a whopping $43.8 billion, Alaska LNG is one of the most expensive proposed fossil fuel projects in the country. The price tag is likely to rise given construction challenges in the Arctic and the rising cost of steel and aluminium due to Trump's Trade War.

- For decades, the Alaska LNG project has been met with consistent skepticism from the private sector. This has prompted the fossil fuel industry and Big Oil allies in Alaska to push for numerous different kinds of taxpayer-funded handouts to pay for the project.

- The Bipartisan Infrastructure Law (BIL) passed in 2021 made Alaska LNG eligible for a federal loan guarantee that could de-risk as much as **$30.25 billion** in debt, enticing private lenders to support the project and lowering interest rates. Legislation recently passed by the House would expedite the Department of Energy processing of this loan guarantee.

- The Inflation Reduction Act (IRA) expanded giveaways for carbon capture and sequestration (CCS) technologies. A methane gas processing plant required for the project to be economical would be eligible for between $5.040 billion and $7.140 billion under the 45Q tax credit. This oil-industry favorite was left largely intact by a recent GOP proposal to gut President Biden's signature climate law.

- The carbon bomb Alaska LNG project faces even stiffer economic headwinds with a global glut of LNG supplies on the horizon. If the project advances amid this uncertainty, it may be taxpayers in the U.S. left holding the bag.

Introduction

Beginning on his first day in office, President Trump signed an assortment of executive orders, many of which reversed key steps taken by the Biden Administration to mitigate climate change. This "drill, baby, drill" playbook includes the disastrous Unleashing Alaska's Extraordinary Resource Potential Executive Order, which rolls back several of the previous administration's critical Arctic protections. It also pushes for the development of one of the largest, most expensive, and dirtiest fossil fuel projects in the U.S.- Alaska LNG.

Alaska LNG has been on the drawing board for decades. Often greeted with skepticism by the private sector, the project has been kept afloat by the State of Alaska and a state-backed entity called the Alaska Gasline Development Corporation (AGDC). The cost estimate for the project has fluctuated dramatically over the last 15 years. A report commissioned by AGDC in 2022 and authored by the consulting firm Wood Mackenzie lowered the bill from $44 billion to $39 billion. The number fluctuated again after AGDC announced that it would pursue development of the project in two phases: first a 765 mile pipeline from the North Slope to southcentral Alaska for $10.8 billion and then a gas treatment plant and export terminal for $33 billion–for a new grand total of $43.8 billion.

The reason for this still massive price tag is the nature of the project itself. Unlike most other U.S. projects, which are composed of liquefaction terminals and connecting pipelines, Alaska LNG would be a colossal network of infrastructure spanning the entire state. If the project were operational today, it would be the second largest export terminal in the country, shipping 2.55 billion cubic feet of supercooled liquid methane to global markets each day.

	Description	Estimated Cost, USD
Phase One	A 765-mile pipeline from Prudhoe Bay to Southcentral Alaska, initially servicing utility and industrial customers.	$10.8 billion
Phase Two	Consists of, (1.) Gas treatment plant in Prudhoe Bay to remove and capture CO2 from methane gas. (2.) LNG export terminal located in Nikiski that would process, store, and transport up to 20 million metric tons per annum (MTPA) of LNG. (3.) Expansion and completion of pipeline, including final leg to Nikiski beneath Cook Inlet.	$33 billion

Table 1. Costs of Alaska LNG project by phases, Senate Finance Committee Meeting. 10 February 2025.

Ironically, the Trump Administration's efforts to develop this project are indebted to none other than Joe Biden. Although the Biden Administration's Department of Energy (DOE) reversed a 2020 approval from the first Trump Administration, it went ahead and approved the giant export project in April 2023. The DOE is responsible under the Natural Gas Act for determining whether methane gas exports are in the public interest, and although the Biden Administration's DOE reversed the 2020 approval, it did not change the final result.

The Record of Decision for the project in 2023 reaffirmed the previous 2020 authorization for the Alaska LNG project with only slight modifications. It required Alaska LNG to submit a statement that the export gas produced would not result in the venting of byproduct carbon dioxide (CO2) into the atmosphere, unless under emergency, maintenance, or operational events. Capturing CO2 is heavily subsidized, so the probability that it would be vented was highly unlikely in the first place (see below).

In measuring Alaska LNG's climate impact, the Biden Administration's DOE considered two counterfactual scenarios as part of its final Environmental Impact Statement (EIS)–one where the project was never built and LNG was simply sourced from elsewhere, and another where the project was never built and "direct lifecycle emissions" associated with it were avoided. The former "substitution" scenario estimated a slight decrease in emissions if the project were constructed, while the latter projected an emissions increase of as much as 1,922 million metric tons of CO2. In this higher emission scenario the life cycle emissions for Alaska LNG were projected to exceed the disastrous Willow Project in the Western Arctic by a factor of nearly 7.

Unfortunately, Biden's DOE ignored the content of its own analysis in its final decision. Citing the differences between several greenhouse gas (GHG) emissions scenarios, the agency effectively shrugged off its own worst case scenario "… due to the uncertainties inherent in predicting future energy market behavior and energy consumption patterns around the world."

The Record of Decision, published in April 2023, contradicts the Biden Administration's study of LNG emissions released less than two years later. When forced to reevaluate its approach to export approvals, the DOE found across five different scenarios that increasing LNG exports displaced more wind and solar than coal. This is vital context when choosing between counterfactual scenarios like the two considered by the DOE for Alaska LNG. In one of its final acts, the Biden Administration chose to underline a simple fact: more LNG exports from the U.S. means fewer renewables around the world and higher global emissions.

Subsidizing Uncertainty: The many giveaways for Alaska LNG

The project has faced significant economic headwinds. Due to the massive cost and a history of being deemed too risky for private investors, the state of Alaska has been consistently lobbying for public financing of the project. Global speculative traders like ExxonMobil and BP at one point considered spearheading the project but pulled out due to lack of commercial viability in 2016. Under the Trump regime, the project showed signs of life in 2025 when AGDC made a deal with U.S. based company Glenfarne, the developer behind still unbuilt projects like Magnolia LNG and Texas LNG. Glenfarne is set to take on a 75% stake in the Alaska LNG and assume the role of lead developer.

For several months, President Trump has been bullying overseas buyers in Asia, seeking to use binding commitments to Alaska LNG as a way to prevent tariffs. Japan, Taiwan, and Korea, among others, have responded by issuing statements of interest for LNG coming out of Alaska. Although AGDC claims that they are in negotiations with buyers for more than 125% of the project's capacity, no binding long-term purchase agreements have been made public yet. Without binding offtake contracts, Alaska LNG will continue to struggle financially.

There are several reasons to believe the $43.8 billion price tag will rise. First, significant cost escalations are common in arctic infrastructure projects. For example, the 800-mile Trans Alaska Pipeline System (TAPS), proposed in 1969 and finally finished in 1977, was supposed to cost under $900 million but eventually rose to $8 billion. The warming climate itself is another variable. As permafrost thaws, pipelines and other infrastructure can buckle and become dislodged. This has in fact already begun to happen with the TAPS, where damage from thawing permafrost has forced the state of Alaska to artificially cool the ground around sections of the pipeline.

The biggest risk of cost escalation is ironically Trump's Trade War. Although the Trump Administration is a die-hard political ally of the project, the Trade War it began could push up the cost of inputs like steel and aluminium. One commodity expert already put the new cost of the project more realistically at $50 billion.

Given the size, cost, and complexity of Alaska LNG, the project is unlikely to be built without massive government support. The following is a tally summarizing the taxpayer-funded giveaways, both direct and indirect, that could make this risky project appear more viable than it is.

Section 45Q Tax Credit

Methane extracted from reservoirs in the North Slope of Alaska is popularly referred to as "acid" gas. This means that it has a higher concentration of CO2 and hydrogen sulfide than typical methane extracted elsewhere. If the CO2 were not stripped from the methane, it would increase costs to ship non-marketable CO2 the entire length of the pipeline. This is why Alaska LNG is proposing to build a $9.2 billion methane gas processing facility in Prudhoe Bay which would strip CO2 from the methane using carbon capture and sequestration (CCS) technologies. The methane extracted from Alaska's North Slope contains as much as 12% CO2 by volume.

Often, CCS is marketed as a way to address anthropogenic CO2 emissions– for instance, by capturing the emissions from fossil fuel power plants. But Alaska LNG is merely proposing to capture CO2 that would need to be removed regardless in order to pipe and liquefy the methane. The project's use of CCS technology is a technical and economic necessity, not a climate benefit. None of this has stopped AGDC from touting the processing plant as "the largest carbon capture plant in the world."

Nevertheless, capturing the gas gives Alaska LNG the opportunity for a major taxpayer funded windfall. Industrial projects that capture CO2 emissions using CCS, like the removal of CO2 from methane sources, can claim the Section 45Q tax credit. This subsidy incentivizes CCS by providing financial benefits per metric ton of CO2 captured and stored underground or used to stimulate production with enhanced oil recovery (EOR).

Under the Inflation Reduction Act of 2022, the value of the 45Q tax credit was increased sharply to $60 per ton for EOR and $85 per ton for utilization and underground storage. According to AGDC, the planned carbon capture plant would remove and store 7 million tons of CO2 annually, for a total of 84 million metric tons of CO2 over the 12 year length of the tax credit.

AGDC does not have a precise plan of what it will do with captured CO2 from the gas plant. But two scenarios highlighted in the final EIS are storing it in saline formations or using it to increase oil production in Alaska's Kuparuk River Field. This means that tapping 45Q tax credits could yield between $5.040 and $7.140 billion. Unlike deployment of CCS in the power sector, which has struggled with economic viability, midstream methane gas processing is the oldest and cheapest deployment of the technology, generally costing only between $15 and $25 per ton. Regardless of how the CO2 is used, the windfall for Alaska LNG will be considerable. These estimates are certain to rise after 2027 when the tax credit begins being adjusted for inflation.

Although the House GOP recently moved to eliminate most of the climate tax credits in the Inflation Reduction Act, the oil industry favorite 45Q was left largely intact.

Public Financing

The 2021 Bipartisan Infrastructure Law (BIL) amended the 40-year old Alaska Natural Gas Transportation Act. The law previously allowed for a federal loan guarantee if a project sought to transport methane to market from Alaska's North Slope. But there was a caveat. Only projects destined for domestic consumption in the U.S. could qualify. This requirement was eliminated in 2021, clearing the path for Alaska LNG to secure a loan guarantee solely as an export project.

A loan guarantee is essentially an assumption of risk. If a federally guaranteed loan fails, then federal taxpayers cover the loss. The mechanism is meant to entice private lenders to support riskier projects at lower interest rates.

The loan guarantee Alaska LNG is eligible for is limited to 80 percent of the project's capital costs and cannot exceed $18 billion in 2004 dollars. Adjusting for inflation, this means that $30.25 billion in debt for Alaska LNG could soon be subsidized by U.S. taxpayers. Although this is a prodigious amount of public support, the inflation-adjusted cap means that the maximum loan guarantee already falls short of 80 percent of capital costs. Unless Congress were to increase the cap, the likely event of cost escalation would leave even greater amounts of the project's debt without federal support.

AGDC believes that the loan guarantee could reduce interest rates on the project somewhere between 1% and 2.5%, amounting to savings in the billions over the 30 year life of the loan. The consulting firm Wood Mackenzie, hired by AGDC to analyze the economics of the project, indicates that lowering property taxes and securing a loan guarantee are the two biggest factors impacting the cost of gas.

The House recently passed legislation that would bring this loan guarantee closer to reality. The DOE never released regulations or other guidance on how the program was supposed to be implemented. This is because Congress never appropriated money to support these activities. But the new GOP legislation would fund the program, enabling a loan guarantee application to proceed. The Alaska congressional delegation, die-hard supporters of the project, recently highlighted the absence of "regulations or guidance" as a fatal obstacle to Alaska LNG.

One area that this guidance could address is Alaska LNG's credit subsidy fee. This is a payment required of all federal loans or loan guarantees that must be borne by either the project developer or an appropriation of Congress. The payment is meant to ensure that taxpayer funds are protected by pricing risk upfront. The DOE Loan Program Office is responsible for calculating a credit subsidy fee that accurately reflects potential losses from default and other risk factors. For a project like Alaska LNG–expensive, sensitive to commodity prices, and built across harsh terrain–the credit subsidy fee could be quite high.

Unfortunately, in the hands of Trump's Energy Secretary Chris Wright, a former fossil fuel executive, the publication of guidance for Alaska LNG could become a means of minimizing–or even zeroing out–the project's credit subsidy fee.

International Support

While U.S. government support will help Alaska LNG to attract customers and financiers, pressure from the Trump Administration could translate into support from private and international investors.

International financiers, including Japan, South Korea, Taiwan and others, have shown interest in the project. South Korea and the U.S. recently formed a working group for the project to discuss barriers such as tariffs. And the Japan Organization for Metals and Energy Security (JOGMEC) and the Japan Bank of International Cooperation (JBIC) are also in talks with the U.S. to finance the overseas project. It remains to be seen whether Trump's Trade War is significant enough leverage to get these lenders to turn the spigot on such a risky project.

Export Credit Agencies

The Export-Import Bank of the United States (EXIM) – the U.S. export credit agency (ECA) – could also provide billions of dollars for Alaska LNG potentially in the form of loans. According to AGDC, Alaska LNG is the first U.S. LNG export project to apply for funding under a new domestic initiative developed by EXIM, the Make More in America Initiative. EXIM has notified Alaska LNG that it will receive a letter of intent on funding.

The only domestic LNG export terminal that EXIM has financed (before the new domestic initiative was established) was for Freeport LNG in Texas. EXIM provided $50 million in 2021 and an additional $90 million in 2023 for Freeport LNG. EXIM approved this second tranche of support despite an explosion in 2022 caused by human error and fatigue. The Alaska LNG loan could be much more than this; EXIM recently approved $4.7 billion for an LNG project in northern Mozambique despite human rights violations and violence in the region.

Conclusion

The global LNG market is on the verge of a massive glut. By 2030 supplies will increase by almost 50% based solely on projects already under construction. In this sense, Alaska LNG is at a double disadvantage: it is a comparatively expensive project that will begin producing LNG into a saturated market, if it ever begins producing at all.

As President Trump seeks to bully historic U.S. allies like Japan, South Korea, and Taiwan into committing to Alaska LNG, the disadvantages for potential long-term purchasers are two-fold. The multi-decade supply agreements Alaska LNG needs to proceed with construction will trap Asia-Pacific consumers into inflexible, long-term contracts, increasing emissions and delaying the energy transition. Meanwhile, the spot market, where LNG can be purchased more flexibly on a short-term basis and often more cheaply, will soon be overwhelmed with new supplies not currently locked into long-term contracts.

There is no climate, consumer, or taxpayer case for Alaska LNG. But that is not stopping the Trump Administration and its fossil fuel cronies from plowing ahead. Energy Secretary Chris Wright promised that “the Administration will look at every way we can” to ensure that the Alaska LNG project gets built. The free market will not deliver this carbon bomb on its own, but billions of our tax dollars might.

Appendix and Documents Consulted

Wood Mackenzie, Alaska LNG Competitiveness Analysis (2022)

U.S. Department of Energy, Alaska LNG Project Final Supplemental Environmental Impact Statement (2023)

U.S. Department of Energy, Alaska LNG Project Record of Decision (2023)

U.S. Department of Energy, Energy, Economic, And Environmental Assessment Of U.S. LNG Exports (2024)

U.S. Department of the Interior, Willow Master Development Plan Final Supplemental Environmental Impact Statement (2023)

Alaska Gasline Development Corp, Senate Finance Committee Presentation (2025)

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