

ALASKA'S VIRUS-AFFECTED ECONOMY

CLIFF GROH

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MOSTLY BAD NEWS

WITH A FEW POTENTIAL
BRIGHT SPOTS

SUPER-BAD, BAD, AND THE MAYBE NOT BAD

Super-Bad—Oil and Tourism

**Bad—Commercial Fishing and State of Alaska
Investments**

**Potential Bright Spots—Mining, Military, Federal
Bailout**

OIL IS HAMMERED GLOBALLY

- **COVID-19** has slashed demand and thus prices to below \$20 per barrel
- **Price war** waged by **Russia** and **Saudi Arabia** is also driving down prices
- **A shortage of physical storage** and a broken futures market temporarily produced **negative** prices

ALASKA'S OIL INDUSTRY IS HURTING AND COULD BE HIT MUCH MORE

- **TAPS throughput is being cut by at least 20 percent (June volume to be 400,000 barrels or less)**
- **Reduced jobs and investment on Alaska North Slope (ANS)**
- **Wells could be shut in at an actual price of \$10/barrel**
- **TAPS to be shut down? (Dollar and barrel thresholds considering economic and engineering issues?)**

LONG-TERM RISKS FOR ALASKA OIL AND GAS

- **How long will demand stay down? Will lockdowns permanently increase telework and reduced demand for oil?**
- **Will COVID-19 combine with climate change to accelerate shift away from fossil fuels that hits Alaska oil particularly hard?**
- **Are big banks' stances on Arctic oil a canary in the coal mine?**
- **Pandemic is bad news for ANS natural gas as well**

ALASKA TOURISM HAS BEEN BATTERED

- **More than 2/3 of cruise ship sailings—carrying more than 1/2 of passengers—have been cancelled**
- **Potential travelers are afraid to fly as well**
- **Long-term prospects for Alaska tourism will also be affected, as most visitors are in age range most affected by pandemic**

COMMERCIAL FISHING IS HARMED AS WELL

- **Alaska seafood prices are down as much as 30 percent**
- **Realities of fishing and processing make distancing hard, making supply difficult**
- **Much of Alaska seafood is consumed in restaurants**
- **About 2/3 of Alaska seafood is exported overseas, and transportation and exporting may be compromised long-term**

PANDEMIC'S PUMMELING OF INVESTMENTS ALSO HURTS ALASKA ECONOMY

- **Coronavirus is cutting investment returns—the biggest source of State of Alaska revenues—which also threatens Alaska jobs (at a time when local governments will also probably cut jobs due to dropping tax revenues lost to the virus)**
- **COVID-19's effects on oil, tourism, commercial fishing, and investments have been called four simultaneous earthquakes hitting Alaska's economy**

BIG PICTURE ON BAD NEWS

- **Alaska's economy will probably be one of the hardest-hit in the U.S.**
- **Even as public health scenarios in U.S. become less grim than experts' fears two months ago, Alaska's economic outlook—particularly with oil and tourism—has gotten increasingly dark during this period**
- **Population decline caused by economic decline is a double-edged sword, as it both reduces the burden on government while simultaneously reduces retail demand, local tax revenues, and real estate values (plus the number of potential state taxpayers)**

POTENTIAL BRIGHT SPOTS

- **Mining, perhaps with a focus on critical minerals**
- **Additional military spending**
- **Grants from Congress and loans from U.S. Federal Reserve—reconstruction, zombie-propping, or both?**