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 ½ 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?