

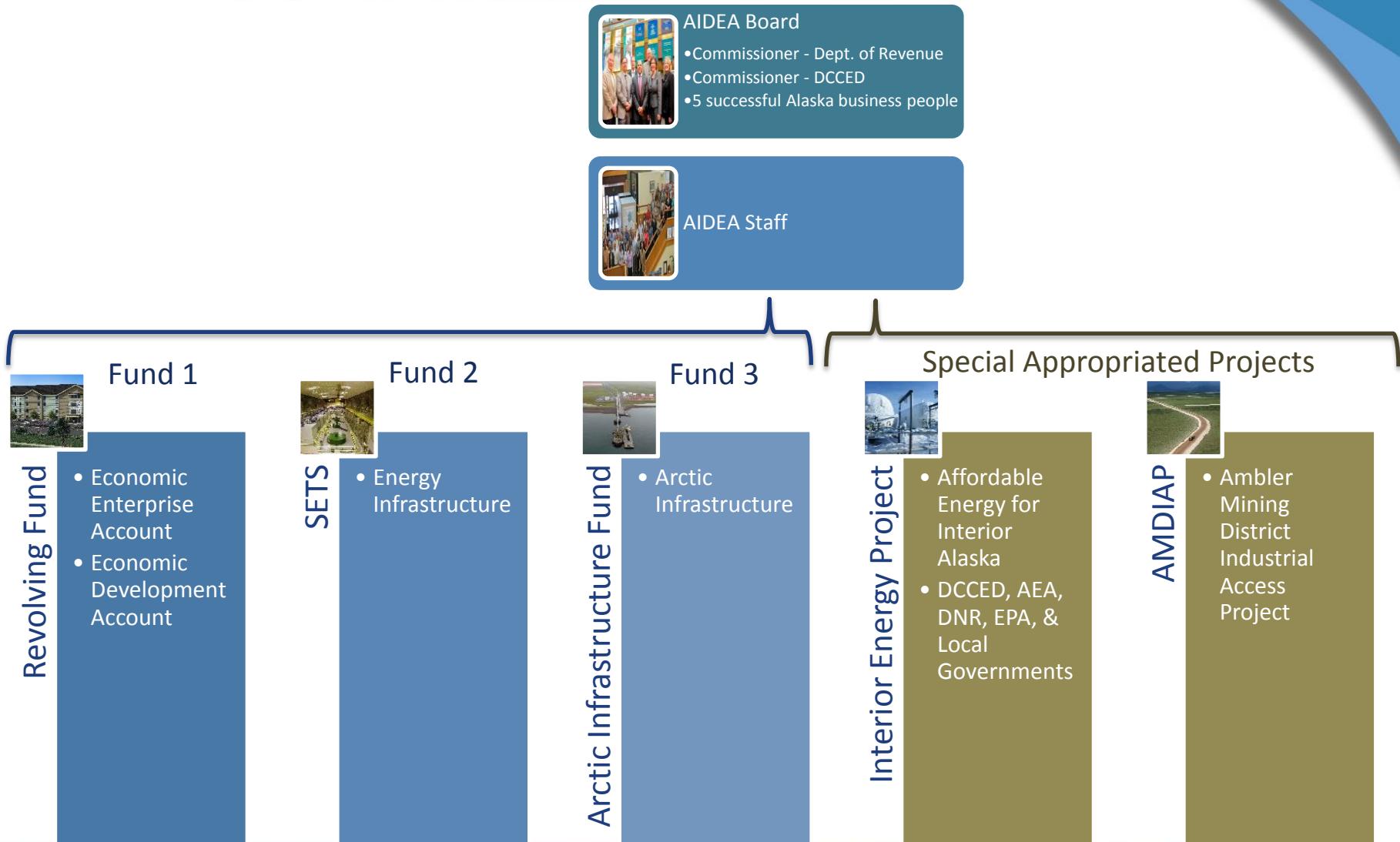


AIDEA Oil and Gas Infrastructure Development Fund HB 246

House Finance Committee

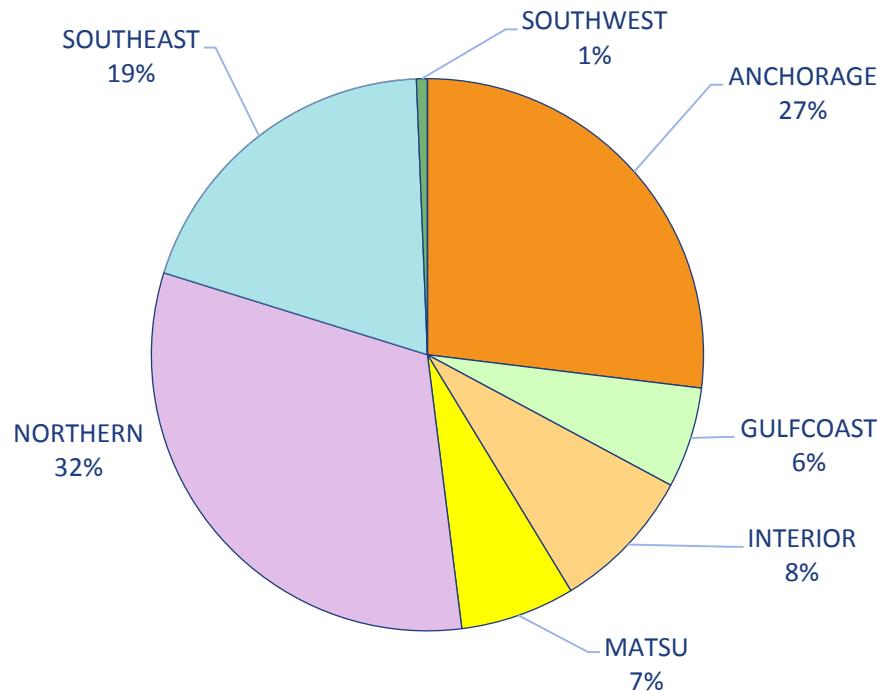
June 3, 2016

Current AIDEA Financing Tools



Geographic Project Diversity

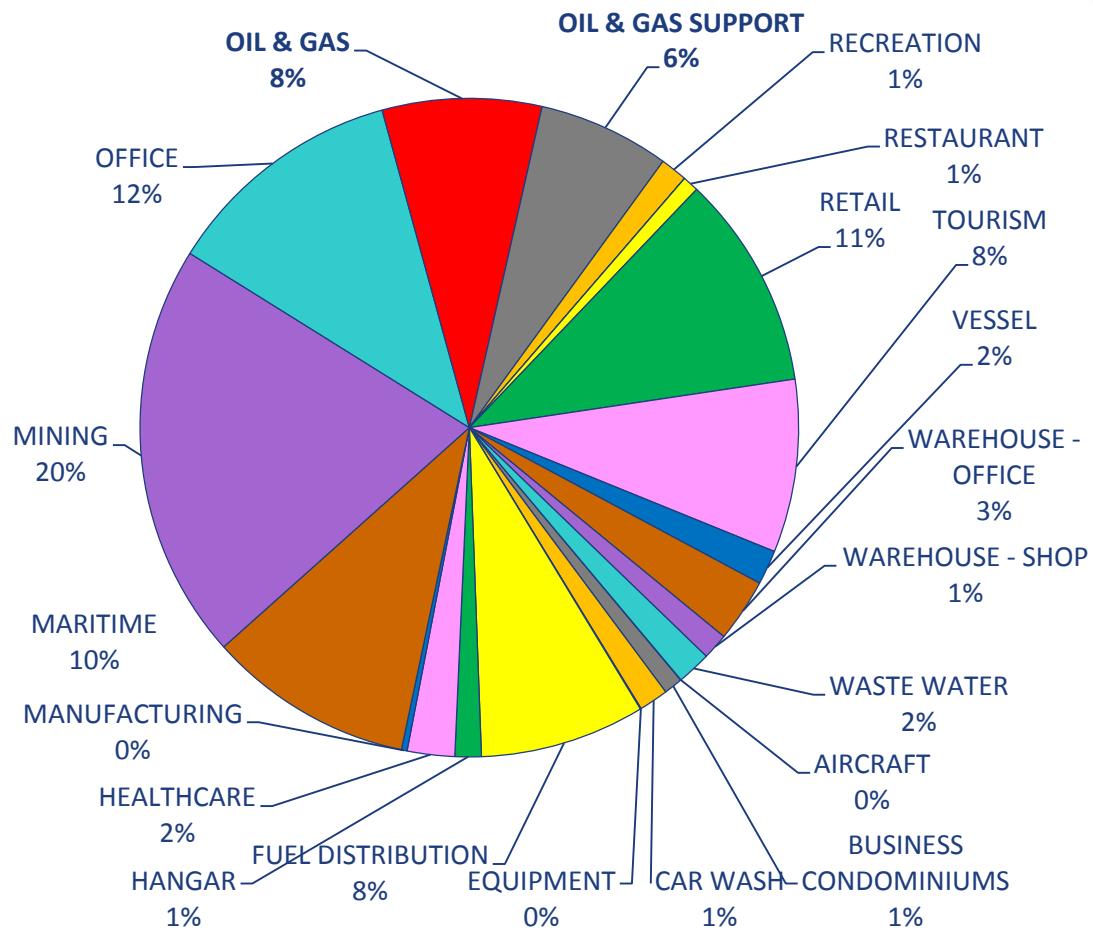
AIDEA Projects and Loans



Industry Diversification

Total Existing and Approved Capacity Projects and Loans as of 10/31/15

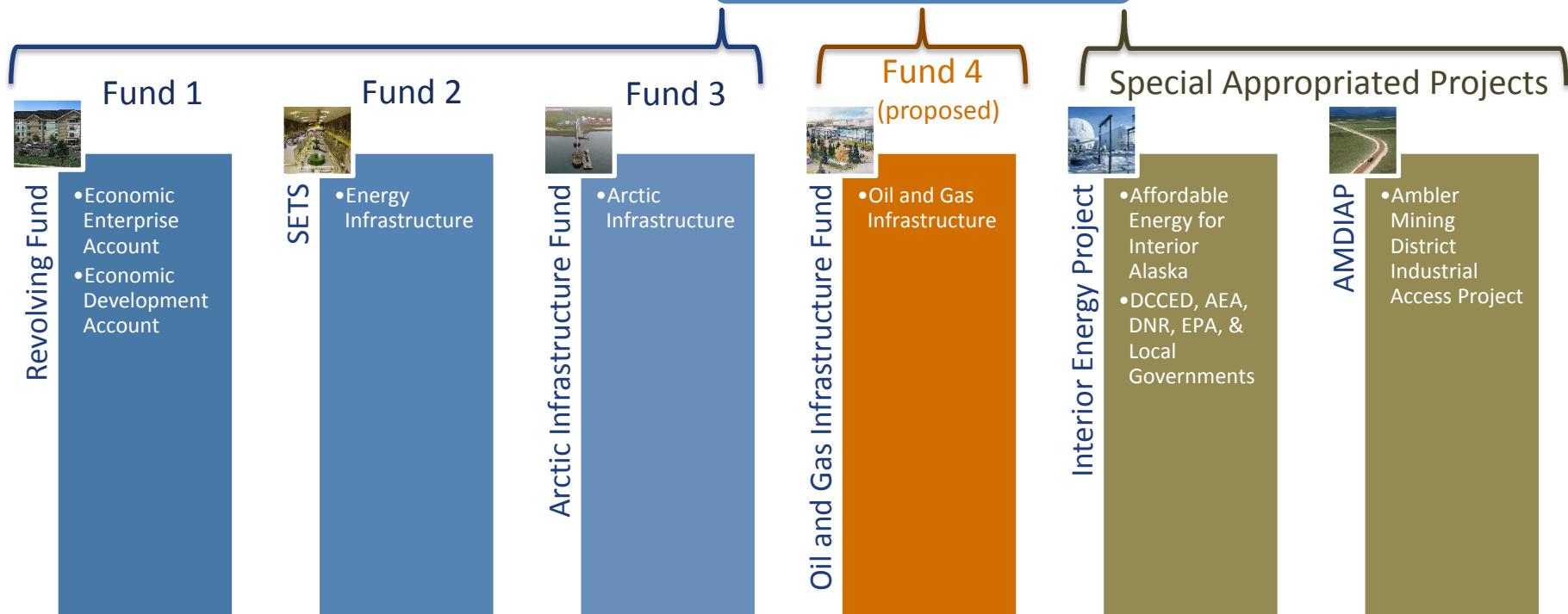
Oil and Gas (including support) account for 14% (\$110 million) of AIDEA's financing.



AIDEA Financing Tools after HB 246



Proposed legislation would create “Fund 4”
Oil and Gas Infrastructure Development Fund



Continue infrastructure financing to:

- Support small and medium sized oil and gas developers statewide
- Increase production and bring new fields online
- Attract new investment
- Increase future State oil and gas revenues
- Support investment for energy security

Eligible Oil and Gas Infrastructure Projects



- Oil & Gas Development Infrastructure defined as:
 - Investment: acquisition, construction or installation (including engineering)
 - Projects: road, pad, camp, processing facility, gathering system or other-site improvement or equipment
- Projects must support fields with proven reserves
- Proven Reserves defined as:
 - Analysis of geological and engineering data
 - Commercially recoverable under current economic conditions, operating methods, and government regulations
 - Can be categorized as developed or undeveloped

- After opting to use AIDEA financing, projects may no longer use:
 - Exploration & Development tax credit (AS 43.20.043)
 - Production tax credit (AS 43.55.023)
 - Production tax credit for exploration expenditures (AS 43.55.025)
- Projects with past tax credits still eligible for AIDEA financing

Market Based Interest Rates



- AIDEA will base interest rates on:
 - Project risk
 - Borrower creditworthiness
 - Owner and financing partner commitments
 - Benefit to the State
- Interest rates may be higher for oil and gas infrastructure projects due to the inherent industry risk

Other Bill Components



Modifies financing limits of SETS and Arctic Infrastructure development funds

- Proposes that all 3 funds be allowed to loan up to 50 percent of an eligible project or offer a loan guarantee up to \$25,000,000
- Amounts in excess of these limits would require prior legislative approval

Sectional Analysis



- A separate sectional analysis is in each committee member's bill file.

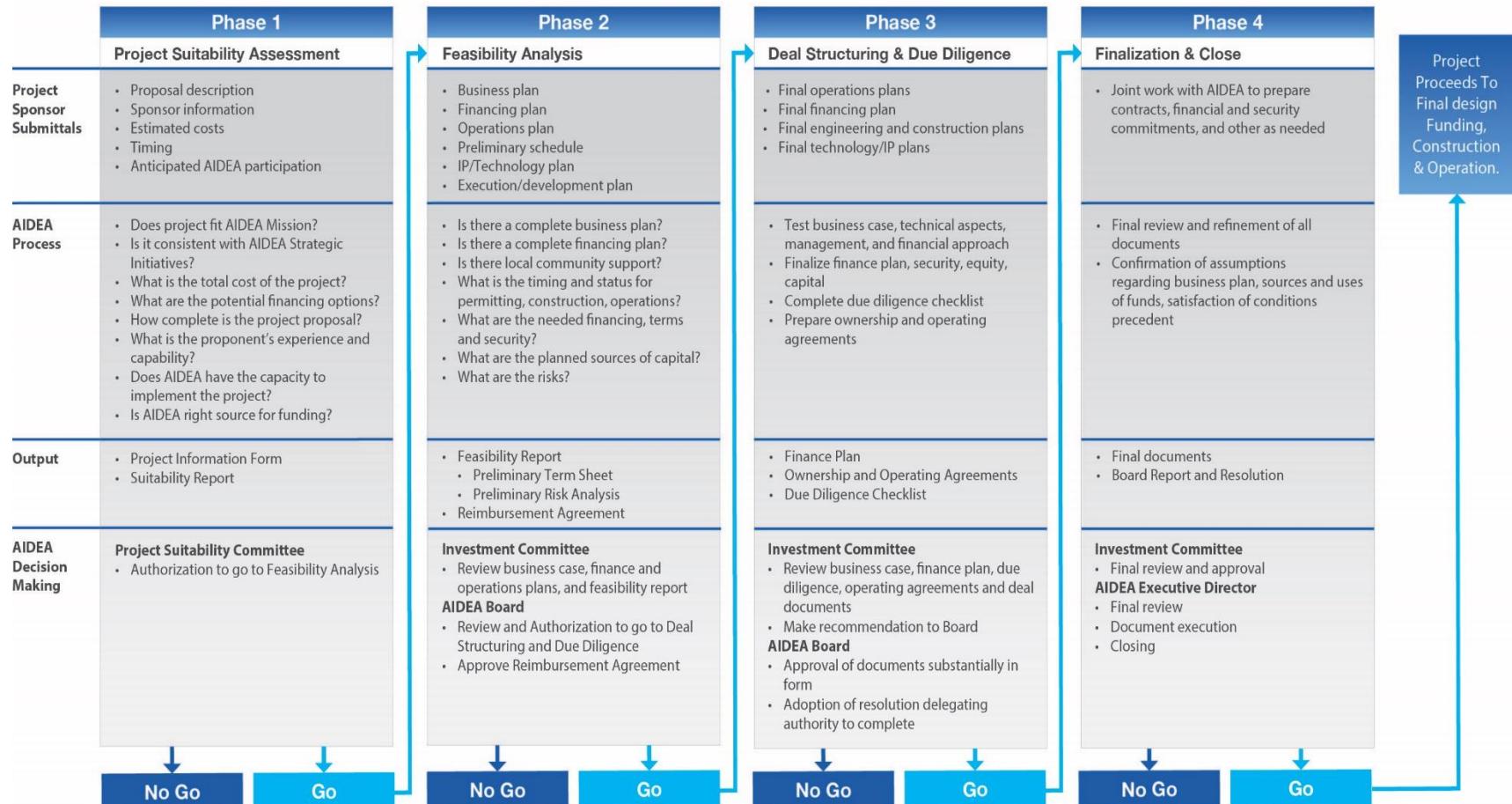
Established analysis and decision making process

- Technical due diligence
 - AIDEA sets procedure for verifying proven reserves
- Financial due diligence
 - Review developer creditworthiness and financing partner commitments
 - Analysis of economics, including oil price stress tests
- Analysis of benefit to State
 - Jobs created and petroleum revenues created
- Managed by AIDEA staff with hired consultants/specialists
- AIDEA Board makes final investment decision

Analysis & Decision-Making

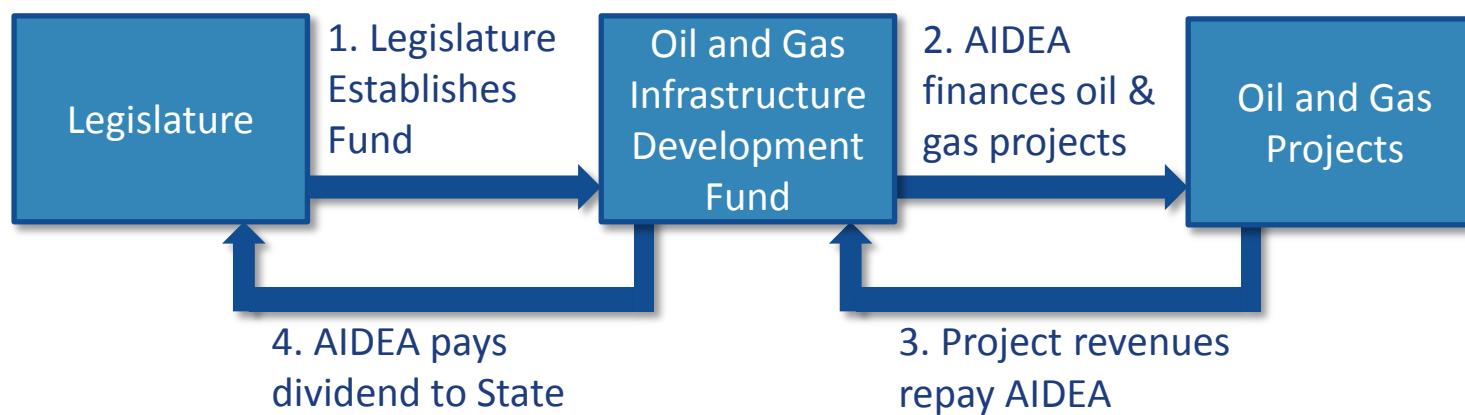


Established analysis and decision making process

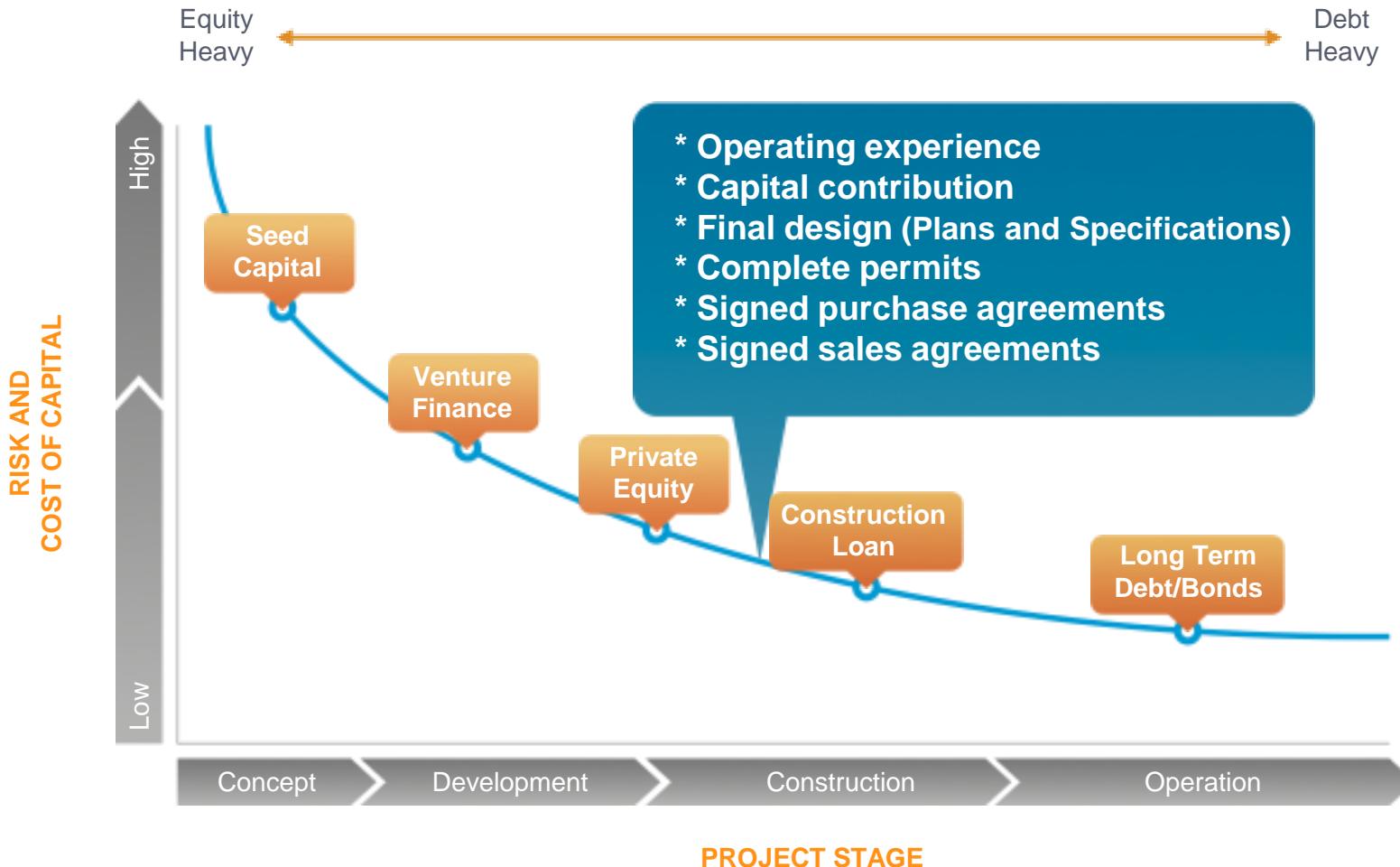


Financing Repayment

- AIDEA financing at market-based rates to reflect individual project risk
- Loans repaid with interest
- AIDEA will earn revenue
 - Some earnings to the State as a dividend
 - Some earnings to fund future projects



AIDEA Entry Point & Criteria



Summary



- Provides AIDEA a specific program to finance oil and gas infrastructure
- Eligible oil and gas infrastructure must have proven reserves and undergo established due diligence review
- Finance terms will be market based

Implementation Cost



- Implementing the program will involve minor modification of regulations, which will be carried out in-house
- Program implement cost will be absorbed
- Program management cost will be absorbed
- Modified fiscal note submitted to acknowledge potential fund capitalization



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#AIDEA 

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