

## COOPERATION AGREEMENT

### 2017 REGULATORY, COMMERCIAL, AND FINANCING WORK FOR ALASKA LNG PROJECT

This Cooperation Agreement ("Agreement") is entered into as of the 15<sup>th</sup> day January 2017 ("Effective Date") between BP Alaska LNG LLC ("BPALL") and the Alaska Gasline Development Corporation ("AGDC").

#### Recitals

1. AGDC plans to perform certain work and activities to progress the Project in 2017.
2. BPALL desires to provide commercial and regulatory support for AGDC's activities.
3. The Parties desire to cooperate on regulatory, commercial, and financing work, as described below under Article 1.

The Parties agree as follows:

#### 1. SCOPE OF WORK

##### 1.1. Regulatory

- 1.1.1. Subject to internal management and other approvals and necessary funding, AGDC shall prepare an NGA Section 3 application consistent with the policy FERC adopted in its Hackberry LNG Terminal order (101 FERC ¶ 61,294 (2002)).
- 1.1.2. Subject to internal management and other approvals and necessary funding, AGDC shall lead the regulatory process and maintain the FERC Docket for the Project including submitting required FERC documents.
- 1.1.3. BPALL shall provide commercial and regulatory support to AGDC in support of Article 1.1.1. and 1.1.2.

##### 1.2. Commercial and Financing

- 1.2.1. BPALL and AGDC shall work together to identify a commercial structure and financing strategy for the Project as described in Appendix 1 and 2.

#### 2. COST SHARING AND COMPANY RESOURCES

- 2.1. The Parties may agree to hire third-party contractors or consultants to support the work. The Parties shall determine how third-party contractor or consultants costs will be allocated between them for all regulatory, commercial, and financing activities under this Agreement.

#### 3. TERM AND TERMINATION

- 3.1. This Agreement begins on the Effective Date and will terminate on December 31, 2017.
- 3.2. A Party may terminate this Agreement after July 1, 2017, by giving 30 days' advance Notice to the other Party.
- 3.3. BPALL may terminate this Agreement by giving Notice to AGDC if:
  - (a) AGDC submits a FERC application for the Project other than as per Article 1.1.1 above; or
  - (b) AGDC enters into a Project FEED Agreement before December 31, 2017; or
  - (c) BP or its Affiliate is or becomes subject to a gas reserves ad valorem tax.

**4. ASSIGNMENT**

4.1. A Party may assign this Agreement to an Affiliate, if:

- (a) the assignor remains liable for performance under this Agreement if its assignee fails to perform; and
- (b) the other Party gives its approval, which approval cannot to be unreasonably withheld or delayed.

A Party may assign this Agreement to a non-Affiliate only if the other Party gives its approval, which approval is within the other Party's sole discretion of each.

**5. LIABILITY**

A Party is not liable to the other Party for any of the following losses or damages arising out of or relating to this Agreement.

- (a) Punitive, special, incidental, indirect, or consequential damages; or
- (b) The loss of profits, the loss of production, or business interruption.

**6. APPLICABLE LAWS AND DISPUTE RESOLUTION**

6.1. Law. Alaska law governs this Agreement and its interpretation.

6.2. Disputes Procedures. Any dispute arising out of or relating to this Agreement, including its breach, termination or validity, must be resolved according to the procedures in Section 6.3.

6.3. Negotiation. If a dispute between the Parties is not resolved in the normal course of business, a Party may give the other Party Notice of the dispute. The Notice shall include:

- (a) a statement of the position of the Party raising the dispute and a summary of arguments in support of its position; and
- (b) the name and title of the executive who will represent that Party and of any other person who will accompany the executive.

Within 15 days after delivery of the Notice, the receiving Party shall submit to the other a response. The Notice and response must include:

- (aa) a statement of the Party's position and a summary of arguments supporting its position; and
- (bb) the name and title of the executive who will represent that party and of any other person who will accompany the executive.

The Parties shall attempt to resolve the dispute promptly by negotiation between executives who:

- (aaa) have authority to settle the controversy; and
- (bbb) are at a higher level of management than the persons with direct responsibility for administration of this Agreement.

Within 30 days after delivery of the initial Notice, the executives shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. A negotiation under this Section 6.3 is confidential and is to be treated as a compromise and settlement negotiation under applicable rules of evidence.

A failure on the part of the aforementioned executives to resolve the dispute in a mutually agreeable manner within 90 days of the Notice shall result in a termination of this Agreement.

**7. DEFINITIONS**

- 7.1. "Affiliate" means:
- (a) for BPALL, any legal entity that controls, is under common control, or is controlled by BPALL by an indirect or direct, beneficial interest of 50% or more of the voting rights in the legal entity; and
  - (b) for AGDC, any legal entity that is directly or indirectly, controlled by AGDC.
- 7.2. "Agreement" means this Cooperation Agreement.
- 7.3. "FERC" means Federal Energy Regulatory Commission.
- 7.4. "NGA" means Natural Gas Act.
- 7.5. "Notice" is defined in Article 6.
- 7.6. "Party" means AGDC or BPALL, and "Parties" means both of them.
- 7.7. "Person" means any person, company, firm, partnership, limited partnership, association, governmental agency, or other legal entity not a Party to this Agreement.
- 7.8. "Pre-FEED JVA" means the Alaska LNG Project Pre-FEED Joint Venture Agreement signed by each Party on June 30, 2014.
- 7.9. "Project" means collectively, the five project segments consisting of an LNG plant, a gas pipeline, the gas treatment plant, the PBU gas transmission line, and the PTU gas transmission line as they were defined in the Pre-FEED JVA.
- 7.10. "Project FEED Agreement" means Engineering, Procurement, Construction (EPC) agreement between AGDC and a contractor to progress detailed engineering scope of work.

**8. NOTICE**

- 8.1. Each Party giving or making a notice, request, demand, or other communication (each, a "Notice") under this Agreement shall:
- (a) give the Notice in writing; and
  - (b) deliver it to the other Party at its address listed in Article 8.2.
- 8.2. A Notice is effective only if the Party giving Notice has complied with Article 8.1 and the Notice is:
- (a) delivered in person;
  - (b) sent by registered or certified mail;
  - (c) sent by a nationally recognized overnight courier; or
  - (d) sent by email with an automatic delivery confirmation.

**8.3. Addresses:**

**AGDC:**

Attn: Mr. Keith Meyer, President  
Address: Alaska Gasline Development Corporation  
3201 C Street, Suite 200  
Anchorage, Alaska 99510  
Facsimile: 907-330-6303  
Email Address: kmeyer@agdc.us

BP Alaska LNG LLC:  
Attn: VP, Commercial Ventures (currently Damian Bilbao)  
Address: BP Exploration (Alaska) Inc.  
P.O. Box 196612  
Anchorage, AK 99519-6612  
Facsimile: 907-564-5598  
Email Address: [damian.bilbao@bp.com](mailto:damian.bilbao@bp.com)

The Parties' representatives have signed this Agreement as of the Effective Date.

**AGDC**

By: 

Name: Keith Meyer

Title: President

Date: January 22, 2017

**BP Alaska LNG LLC**

By: 

Name: Damian F. Bilbao

Title: Vice-President, Commercial Ventures

Date: January 22, 2017

## APPENDIX 1 – 2017 COMMERCIAL STRUCTURE WORK PROGRAM

### OBJECTIVES

- To progress the effort to utilize third-party infrastructure funding sources as a means to reduce the cost of service on the Project infrastructure.
- Refine understanding of tolling structures to identify a viable and competitive structure for Alaska or identify alternative structures that may be viable.
- Map out an agreement framework & phasing required to successfully execute and operate the Project.
- Assist AGDC in developing the Project on an expeditious timeline within AGDC's target in-service date of 2023-25.

### SCOPE OF WORK

- Using internal and external analysis as deemed appropriate by the Parties, evaluate and rank different mechanisms to reduce the Project's cost of supply, based on value and probability
- Assess risks along the value chain, from FEED through operations, associated with the work scope, identify mitigation options, and recommend actions
- Refine tolling structure elements or define alternatives:
  - a. Incorporate recommendations from funding & regulatory work programs
  - b. Use risk evaluation to inform how structure may equitably accommodate all participants
  - c. Evaluate impact of alternative structures on cost of supply and select optimal blend
  - d. Address parallel service requirements for in-state gas and LNG tollers over time
- Identify suite of agreements necessary to enable the Project, this work may include phasing of agreements from principles to heads-of-agreements to final agreements.

### GUIDELINES

- Target delivery of a project model with a sustainable, competitive cost of supply and returns
- Base line assumptions:
  - a. Single regulation of the entire system (FERC NGA Section 3)
  - b. Tollers will initially source gas from the Prudhoe Bay and Point Thomson units
  - c. A separate State entity will support approximately 10% of the GTP and pipeline capacity for its own in-state gas sales
- Use pre-FEED deliverables and publicly available data for any economic or financial modelling
- Follow industry recognized project management best practices
- Enable adequate funding cover for State as infrastructure owner and anticipate requirements of financiers

### TIMELINE

- Deliver a management presentation no later than 2Q 2017 on the status of the work effort, options identified to date, and definition of a competitive cost of supply
- The remainder of 2017 may be spent negotiating principles of the critical agreements required to underpin funding and regulatory activities as well as support a FEED decision.

## **Appendix 2 – 2017 Finance Advisory Work Program**

### **OBJECTIVES**

- Identify likely funding sources for FEED and confirm need for new equity investors
- Introduce common language for discussing risk allocation in commercial structure
- Identify possible long-term financing structures to reduce project cost of supply

### **SCOPE OF WORK**

- Develop a Finance Plan for AK LNG for the FEED phase.
- Develop a Finance Strategy for AK LNG for the construction and term financing of the Project. Estimate the amount of potential funds that could be obtained from these groups and outline expectations on a security package for each.
- Analyze key risks for each financing stage and identify options for commercial risk mitigation, including the impacts of those mitigations on overall finance costs.

### **GUIDELINES**

- Financing should allow for 100% direct State ownership through the Alaska Gasline Development Corporation.
- Financing sources could come from commercial lenders, export credit and multilateral agencies, and public bond markets (tax exempt or taxable).
- Security for debt may include federal loan guarantees.
- Credit support for debt provided by project sponsors would be unconditional, several and not joint, from a creditworthy affiliate.
- The proposed equity structure should accommodate State ownership, corporate sponsors, private equity investors, and retail investors.

### **COMMERCIAL FRAMEWORK ASSUMPTIONS**

- Tolling revenue will be received by the Project company through a conventional toll or merchant structure. In both cases, ship-or-pay amounts will cover fixed costs (including debt and an appropriate DSCR).
- Tollers will initially source gas from the Prudhoe Bay and Point Thomson units.
- A separate State entity will support in-state gas sales.

### **TIMELINE**

- A financial advisor is expected to be retained by AGDC to provide advice on financing the Project.
- The financial advisor should issue a draft report and hold a presentation of its findings no later than 2Q 2017. Following the review, any modifications to the report should be completed within a reasonable time period.