

BP AK LNG Testimony to House and Senate Resource Committees

Damian Bilbao, BP

January 20, 2017

House Resources Committee – 1:00 pm, Monday, January 23, 2017 in Juneau, Alaska

- Co-Chair Tarr, Co-Chair Josephson and members of the House Resources Committee, for the record, my name is Damian Bilbao.

Senate Resources Committee – 3:30 pm, Monday, January 23, 2017 in Juneau, Alaska

- Chair Giessel and members of the Senate Resources Committee, for the record, my name is Damian Bilbao.

I am the Vice President of Commercial Ventures for BP here in Alaska. I first arrived in Alaska to work for ARCO Alaska as an intern and fell in love with this State. My family and I have lived in Alaska for almost 10 years with interruptions for overseas assignments.

I would like to first follow Bill's remarks by recognizing the great work done by the Joint Project Team under ExxonMobil's leadership. Steve Butt and the team delivered exactly what they were asked to do when the Pre-FEED JVA was signed, and then some. They did that work safely, professionally, on schedule and on budget. BP thanks them.

My responsibilities within BP include Alaska LNG, our North Slope fields operated by other companies and our interest in the Trans-Alaska Pipeline. I would like to pause and recognize that along with the

Prudhoe Bay field, TAPS is celebrating a 40 year anniversary in 2017. I would also like to recognize that this past December 18th Alaska celebrated the 45th anniversary of the signing of the Alaska Native Claims Settlement Act. Without the tremendous support and license from Alaska's native communities, the State would have a much different history. I would ask that as we discuss Alaska LNG today we remember that this State only has the luxury of discussing an Alaska LNG project because of cooperation shown in establishing ANCSA. Ensuring another 40 years of economic security for Alaska will require collaboration to find common ground.

It is for this reason, the future economic health of Alaska and BP's participation in that opportunity, that BP continues to support an Alaska LNG project led by the State of Alaska. BP's support derives from three important beliefs:

- 1) The resource opportunity in Alaska is strong, the talent is deep and there is a history of coming together to fix big problems.
- 2) The demand for LNG will continue to grow in Northeast Asia beyond 2025, and much of that growth will come from players like China.
- 3) Alaska LNG **can** compete for the growing demand, as was shown in the Wood Mackenzie report presented before the legislature in August 2016; however certain non-technical solutions are required for that to be achieved.

The State is positioned to lead this commercial effort in three focus areas:

- 1) The competitiveness of a tolling model where gas owners pay a utility-like company to transport their gas to the Cook Inlet, liquefy the gas and load it on to ships.
 - 2) Preserve the federal regulatory schedule, because failure to do so could add years to the schedule and impact the reputation of the project, and
 - 3) Identify options to fund both the next phase of the project, Front End Engineering and Design or FEED, as well as the most financially demanding phase, construction, which would occur after a Final Investment Decision, or FID.
- BP **does not** believe these three areas will require contracting with large companies to begin the process of purchasing pipe or steel, but rather will require deep analysis by subject matter experts familiar with commercial aspects of the LNG business.

Now, while BP supports a State led project, we believe it is also important for BP to do more than sit back and wait for AGDC to answer these three questions. BP must actively support AGDC. I am very pleased to share with you that AGDC and BP have signed a Cooperation Agreement that will bring together our efforts and resources on the three focus areas that I outlined above: 1) assessing a tolling model, 2) preserving regulatory progress and 3) identifying financing options for the path forward. BP is committing people and funding to this joint effort although it will be an effort led by a much smaller group of people

than completed the Pre-FEED deliverables which Bill McMahon just summarized.

BP appreciates AGDC's commitment to working together and we look forward to updating the legislature over the course of the year.

This is an important year for BP in Alaska and we look forward to celebrating the anniversary of Prudhoe Bay and TAPS **first** 40th anniversary. While BP has worked with our co-owners to produce over 12 billion barrels of oil from Prudhoe Bay, there are still billions more in Prudhoe and across the North Slope. As the Governor's Chief Advisor on Oil and Gas, John Hendrix, said during his recent speech at Meet Alaska on January 13th, we must all pursue our future as "One Alaska". BP agrees. It is only as One Alaska that the State will continue to solve big problems. BP looks forward to continuing to work with this legislature, the administration, Alaska's native corporations, our contractors and upstream co-venturers in support of a One Alaska future. Thank you.