

Alaska LNG Project House Resources Testimony

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 Bill McMahon.
 - I am a Sr. Commercial Advisor and have 34 years of experience with ExxonMobil and have worked on commercializing Alaska natural gas since 1992.
- Thank you for the opportunity to address the committee this afternoon. My testimony will be given in two parts:
 - The first part will be on behalf the Alaska LNG Project (AKLNG) participants – AGDC, ExxonMobil, BP and ConocoPhillips. The four parties have worked hard to complete the technical and regulatory handover and the commercial transition of AKLNG to a State LNG project run by AGDC. I will be sharing our progress since September.
 - The second part will be sharing ExxonMobil's perspectives on a State Alaska LNG project and how our company is supporting the AGDC effort.
 - Following my testimony, Damian Bilbao and Darren Meznarich will be sharing BP and ConocoPhillips perspectives, respectively.
 - As always, we look forward to answering your questions.
- Following the Administration's decision to pursue a State LNG project, ExxonMobil, as Lead Party under the Pre-FEED JVA (Joint Venture Agreement), completed an extensive handover process with AGDC for all the Pre-FEED JVA work products, including the underlying technical data. In addition, on behalf of the applicants in the FERC pre-filing, ExxonMobil also met with regulators and AGDC to discuss the coming changes. On January 4th, the FERC was advised by letter that ExxonMobil, BP and ConocoPhillips have withdrawn from the Pre-File Docket, leaving AGDC as the sole applicant.
- During testimony on August 25, the key components of the technical and regulatory handover and the commercial transition were shared. Today, I would like to list the achievements since that time:
 - All 77 Pre-FEED deliverables agreed under the AKLNG Joint Venture Agreement are finished and have been distributed to AGDC, ExxonMobil, BP and ConocoPhillips.
 - The final two draft Resource Reports (11 and 13) were submitted by the applicants to FERC, completing the draft Resource Reports required to advance the EIS pre-file process.
 - FERC and the other coordinating agencies have provided over 2,700 comments on the twelve Resource Reports that were submitted.
 - The AKLNG project team provided a summary of all of the comments and questions to all parties, including AGDC.

- The AKLNG project team completed dozens of project technical and regulatory handover sessions with AGDC, including weekly sessions and extended workshops.
- These handover sessions, which were completed prior to year-end 2016, provided a smooth and efficient handover of activities to AGDC for a State LNG project. AGDC is now positioned to take on the full responsibility for the technical and regulatory aspects of its project.
- Agreements were executed prior to year-end as part of the commercial transition from AKLNG to a State LNG project. These agreements provide for the use of historical and Pre-FEED data and information by all the Pre-FEED JVA parties for any project, including a State LNG project.
- Work continues on agreements for AGDC to acquire ownership of an LLC held by ExxonMobil, BP and ConocoPhillips affiliates and provide interim access to some of its assets. The LLC owns land in Nikiski and DOE LNG export authorizations.
- Before I move on to my ExxonMobil comments, I will pause and see if there are any questions about the AKLNG accomplishments in 2016.

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- Changing hats, I will now share ExxonMobil's perspectives on a State Alaska LNG project and how our company is supporting the AGDC effort.
 - As you know, one of the motivations for the Administration to assume control of the project was to assess the potential advantages that may only be available to a State project.
 - These potential advantages, as expressed by the Administration, include reducing the cost of supply through a tax-exempt project structure and using low cost funds from third party investors willing to take a utility rate of return on a government-backed project.
 - Both of these opportunities could potentially make a significant reduction in the cost of supply for Alaska LNG, as highlighted in the Wood MacKenzie study commissioned by AGDC, ExxonMobil and BP, and as presented to this committee by David Barrowman of Wood Mac on August 24, 2016. Cost of supply is a key measure of competitiveness in the global LNG market.
 - In addition to opportunities to reduce cost of supply, a State backed LNG project also has the potential to reduce regulatory risks through government to government cooperation.
 - ExxonMobil wants a project to succeed and is willing to pursue all commercially viable alternatives to develop Alaska resources on mutually-agreed terms.
 - While AGDC is now responsible for advancing a State LNG project, ExxonMobil will still have a major role in the development of Alaska North Slope natural gas. First, through continued investment to develop Prudhoe Bay and Point Thomson and, second, by making gas available for sale for the project.
 - To date, the Producers have invested billions of dollars at Prudhoe Bay and Point Thomson to successfully develop these fields. Investments continue at these fields to support the ongoing operations.

- ExxonMobil will continue to make its gas available to any project under bilateral, mutually-agreed and commercially-reasonable terms.
 - In 2015 when Governor Walker sought assurances from each producer about gas availability, ExxonMobil immediately established a negotiating team, executed a confidentiality agreement with the Administration and had several preliminary meetings.
 - With completion of the handover to a State LNG project, ExxonMobil remains ready to re-engage on negotiations for gas sales and purchase agreements.
 - These commercial and fiscal terms will need to be predictable and durable so all of the parties' involved, including potential buyers and financiers, understand the underlying framework, particularly given the magnitude of the required investments and commitments, which are measured over decades
- In closing, ExxonMobil wants to help make a State LNG project successful.
 - We are pleased to have participated in the successful handover from AKLNG to a State project.
 - ExxonMobil is committed to work towards completion of the required transactions with AGDC on the Alaska LNG Project LLC (ALPL).
 - We are ready to re-start bi-lateral discussions on purchasing ExxonMobil gas from PBU and PTU for a State project.
 - Lastly, ExxonMobil looks forward to the progress of a State LNG project. If AGDC can adequately achieve cost reductions, secure regulatory approvals, advance through the project gates to a final investment decision (FID) and complete project execution and construction, everyone will benefit.
- Before I turn the microphone over to Damian Bilbao of BP, I would be happy to answer any questions that you may have.