

SEMI-MONTHLY REPORT

October 13, 2017

AGDC Semi-Monthly Report

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1. Message from AGDC

The following is the semi-monthly report from the Alaska Gasline Development Corporation (AGDC) to Alaska's governor, legislators, and congressional delegation to help improve transparency of the corporation's business activities as we develop the Alaska gasline and LNG project. For your convenience, all semi-monthly reports are available at <https://agdcus.sharepoint.com/sites/webshare/legreports/SitePages/Home.aspx>.

2. Commercial

AGDC is advancing commercial discussions with a number of significant Asian LNG buyers. Concurrently, progress continues to move forward in the areas of commercial agreements, in-state gas issues, discussions with producer partners, federal support, and project financing.

2.1 Commercial Agreements

- AGDC has signed 22 confidentiality agreements (CAs) to date involving entities from different countries across the Asia-Pacific region. CAs enable the companies to review technical information in the AGDC data room. CAs are a critical step toward reaching definitive long-term commercial agreements.
- In addition to the Korea Gas Corporation (KOGAS) memorandum of understanding (MOU), AGDC concluded three letters of intent (LOI) that establish the foundation for terms and negotiation parameters for definitive agreements. The LOIs are non-binding but contain indicative agreement terms.
- AGDC continues to work with KOGAS to advance the MOU signed in Washington, D.C., on June 28, 2017.
- AGDC commenced negotiations with Alaska's major producers for natural gas wellhead sales based on the producers' implied interest during the Foundation Customer Capacity Solicitation, which ran from June 15, 2017 through August 31, 2017.

2.2 In-State Gas

- AGDC is in commercial discussions with in-state gas users to advance initial commercial agreements for gas purchases through AGDC's in-state aggregator.

2.3 Cooperation

- AGDC and BP continue to work together in the areas of regulatory, finance, and commercial structure as they relate to the Alaska LNG project. BP has provided subject matter expertise to advance these efforts.
- In a press release issued on October 4, 2017, BP announced it is "taking delivery of six new state-of-the-art liquefied natural gas (LNG) tankers to support its expanding global LNG portfolio, and to respond to growing demand for lower-carbon energy sources around the world." The release said, the "2017 BP Energy Outlook forecasts that global LNG trade will grow seven times faster

than pipeline gas trade, such that by 2035 it accounts for around half of all globally traded gas. The newly expanded BP Shipping fleet will deliver LNG volumes to a range of BP customers around the world.”

2.4 Project Marketing

- Marketing efforts continue in Asia with one-on-one meetings and conference presentations. A late September trip included meetings with government, banking, and energy company representatives. Many large buyers in China, Korea, and Japan are becoming increasingly aware of Alaska’s unique ability to deliver energy stability at competitive prices and with reliability and shipping advantages.

3. Regulatory and Program Management

AGDC continues to progress the major permits needed for the Alaska LNG project. While Alaska LNG moves forward as AGDC’s priority project, the Alaska Stand Alone Pipeline (ASAP) continues to advance toward a final environmental impact statement and record of decision.

3.1 Alaska LNG Project

- On October 2, 2017, AGDC responded to the Federal Energy Regulatory Commission’s (FERC) second data request (issued on July 28, 2017) regarding Resource Report Nos. 1, 2, 3, 4, 6, 7, 10, 11 (Pipeline), and Resource Report No. 13 (Liquefaction Facility and Gas Treatment Plant). On October 3, 2017, AGDC responded to FERC regarding Resource Report Nos. 5, 8, and 9. AGDC provided answers to as many questions as possible using existing data as well as a delivery schedule for the remaining responses.
- Technical teams continue to work on drafting responses to environmental data requests from FERC regarding the environmental and engineering aspects of the Alaska LNG project. AGDC is identifying to FERC the large body of environmental data and analyses done on ASAP that they can use in support of the Alaska LNG National Environmental Policy Act (NEPA) process.
- In anticipation of FERC’s third data request, AGDC finalized the corporation’s response plan with third party contractors.
- AGDC met with the Federal Permitting Improvement Steering Council (FPISC) in Washington, D.C. on September 27, 2017. FPISC expects FERC to publish a schedule for Alaska LNG in 4Q2017. AGDC conveyed to FPISC that, as a “covered project” under Title 41 of the Fixing America’s Surface Transportation (FAST) Act, the schedule should comply with President Trump’s Executive Order, “Establishing Discipline and Accountability in the Environmental Review and Permitting Process for Infrastructure Projects,” and not exceed two years.
- AGDC’s meeting with the National Oceanic and Atmospheric Administration (NOAA) Fisheries (formerly known as the “National Marine Fisheries Service”) provided clarification that the Susitna Delta Exclusion Zone is intended to prohibit impacts from seismic work. As a result, the exclusion zone will not automatically preclude temporary marine work associated with construction of the Alaska LNG project.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- AGDC submitted 260 individual responses to U.S. Army Corps of Engineers (USACE) requests for amendments and clarifications to issues found in the draft Supplemental Environmental Impact Statement on October 4, 2017.
- AGDC participated in the USACE “cooperating agency meeting” in Anchorage on October 6, 2017.
- Based on meetings with all cooperating agencies in early October, AGDC anticipates the USACE will publish a final Supplemental Environmental Impact Statement (FSEIS) by the end of 2017.
- In response to public comments, AGDC is reviewing twelve infrastructure design changes to accommodate public needs (e.g., slight adjustments to proposed infrastructure placements). Each change proposal will go through a formal approval process as AGDC revises ASAP infrastructure alignment.

4. Communications, Administrative, and Other

AGDC continues to provide presentations to various audiences statewide to build project awareness and share information regarding the importance of Alaska LNG to the Asia-Pacific region and Alaska. Work continues on developing new promotional materials, addressing questions from media and Alaska residents.

4.1 Communications

- AGDC presented the keynote presentation at the U.S.-Canada Northern Oil & Gas Research Forum, in Anchorage on October 12, 2017. The presentation provided a general Alaska LNG project overview as well as a focus on the unique sealift logistics associated with Beaufort and Chukchi Sea transportation and offloading of facility modules in Prudhoe Bay.
- AGDC continues to meet with members and staff of Alaska’s Legislature, congressional delegation, borough and municipal officials in order to keep them apprised of Alaska LNG project updates.

4.2 Administration

- AGDC contracted Perkins Coie for general counsel services on September 12, 2017. Perkins Coie will provide general counsel support to AGDC as needed, which may include but is not limited to: advising AGDC on corporate matters; drafting, negotiating and reviewing documents and agreements; participating in and preparing documents for periodic meetings with AGDC management, Board of Directors, and Executive Branch personnel; and advising AGDC management on general compliance matters.