

SEMI-MONTHLY REPORT

July 31, 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 facilitated a familiarization trip that included meetings, presentations, and facility tours for a high-potential Alaska LNG buyer and financial institution in the second half of July. 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

- Senior level representatives of a major Chinese oil and gas company visited Alaska on July 19-21, 2017. AGDC led the delegation through a number of meetings, presentations, facility tours, and working dinners during their time in Alaska. The delegation also met



Josef Chmielowski, Petroleum Geoscientist, Alaska Division of Oil & Gas, presents Alaska's upstream opportunities to Chinese LNG buyers in Anchorage, AK on July 20, 2017. (Brice Habeger / Office of the Governor)

with Alaska's Department of Natural Resources (DNR) and Doyon Limited. DNR provided an overview on Alaska's upstream opportunities and Doyon presented an overview of the Alaska Native Claims Settlement Act (ANCSA), the corporation's history, subsidiaries, and

their oil and gas services. The delegation also met with BP, which included a presentation on BP's Alaska operations. AGDC presented the technical and commercial aspects of the Alaska LNG project. In addition to meetings and presentations, the agenda also featured site-inspections of DNR's Geologic Materials Center and Prudhoe Bay facilities, including the Central Gas Facility, West Dock, the ARCO discovery well, and Doyon Limited's Rig 25. The trip culminated with the signing of a confidentiality agreement between AGDC and the Chinese LNG buyer.

- Parallel to the Chinese oil and gas company's visit to Alaska, meetings and presentations were held with senior level officials from a major Chinese financial institution. The bank is interested in providing debt financing for the Alaska LNG project.
- AGDC continues to solicit foundation capacity commitments for the Alaska LNG project. The capacity solicitation will provide participants with the ability to express interest in a specific quantity of capacity on the individual components of the Alaska LNG system and secure foundation customer rights. Capacity on the system will provide upstream gas producers the ability to access global gas markets and thereby sell their gas. For those producer parties that do not want to hold capacity on the system, AGDC will be seeking LNG customers for a direct or indirect acquisition of gas supply. The capacity solicitation process also allows in-state and other third parties, including AGDC, the ability to secure foundation capacity.
 - AGDC will use the responses to assist in determining the initial capacity design of the Alaska LNG system.
 - Initial respondents will secure rights to become "Foundation Customers," which will include certain rights to expansion capacity, favored nations pricing, extension options, and other rights typically afforded to customers that provide the commercial foundation for a pipeline or LNG system.
 - This process will not close the door on future capacity commitments, but rather will guide the project's initial design and commercial structure decisions.
 - Negotiations of final definitive agreements for capacity will commence at the conclusion of the initial capacity solicitation.
- AGDC continues to negotiate an agreement to purchase land selected for the liquefaction facility in Nikiski, AK.

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. BP has also supported AGDC's efforts to

promote the project in Asia by offering physical and work product assistance in educating Asian commercial entities about Alaska's rich proven gas resource in Prudhoe Bay.

2.4 Federal Support

- AGDC continues to receive positive feedback from federal agencies involved in the permitting of the project. The agencies are becoming increasingly aware of the Alaska project and its potential significance in the broader national energy plan. AGDC continues to keep the congressional delegation and the administration informed of the regulatory progress. There is now regular dialog with federal departments of interior and commerce as well as White House staff, Export-Import Bank of the United States, and others.

2.5 Project Marketing

- AGDC met with a different major Chinese natural gas buyer in Washington, D.C. on July 24 who was attending the U.S.-China Economic Summit. The buyer expressed interest in upstream, midstream, and downstream opportunities; all of which AGDC is uniquely able to offer through the Alaska LNG project.
- AGDC is creating "data gift packs" (DGP) for distribution to potential LNG buyers and investors. Each DGP summarizes information contained in the Federal Energy Regulatory Commission (FERC) resource reports submitted with the section 3 application on April 17, 2017. The DGPs are designed to be a marketing tool and technical reference for potential LNG buyers and investors.
- AGDC continues to build project awareness and address the misperception of Alaskan gas in the Asian marketplace through an enhanced marketing campaign. Due to this effort, in the last six months, Alaska LNG has gained the attention of many large buyers in Korea, China, Japan, and other markets in the Asia-Pacific region. There is recognition Alaska has the unique ability to deliver energy stability at competitive prices and with reliability advantages.

2.6 Financing

- AGDC continues to evaluate competitive proposals from two globally recognized financial institutions to serve as placement agent. The successful candidate will assist in arranging financing for the Alaska LNG project. AGDC is working with an independent registered municipal advisor (IRMA) to help identify the regulatory requirements for a financial advisor (FA) to provide service to a state-owned entity.
- AGDC is continuing to refine a project economics presentation. The presentation's objective is to provide audiences with the information necessary to make well-informed investment decisions.

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

- AGDC met with the U.S. Pipeline Hazardous Materials Safety Administration (PHMSA) to review the Design Spill Plan in Washington, D.C. on July 24, 2017.
- AGDC continues to address Phase 2 questions from FERC regarding the section 3 permit application.
- AGDC is continuing the selection process of an engineering, procurement and construction (EPC) contractor to perform a "lead contractor" role to assist in advancing the Alaska LNG project. Additional face-to-face meetings with EPC candidates are ongoing.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- The U.S. Army Corps of Engineers (Corps) held ASAP draft supplemental environmental impact statement (SEIS) public hearings in Barrow, Nuiqsut, Fairbanks, Evansville/Bettles, Wiseman/Coldfoot/Alatna, and Minto/Tanana during the last two weeks of July. Additional meetings are scheduled in Healy, Cantwell/Denali, and Trapper Creek in early June.

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 as well as Alaska. Work continues on developing new promotional materials, addressing questions from media and Alaska residents.

4.1 Communications

- AGDC presented an update on the Alaska LNG project at the Tikahtnu Forum in Anchorage on July 28, 2017. The Tikahtnu Forum is a collaboration between Alaska Native corporations, villages, tribes, and nonprofits in the Cook Inlet region to strengthen relationships and develop partnerships.
- AGDC provided updates on the Alaska LNG project to the North Slope Borough (NSB) Planning Department, NSB Wildlife Department, and the City of Nuiqsut. These outreach efforts were in conjunction with the Corps' public hearings held in these communities.

4.2 Administrative

- AGDC sponsored a staff anticorruption compliance training on July 25, 2017. The training focused on ensuring adherence to the Foreign Corrupt Practices Act (FCPA) as AGDC formalizes its own anticorruption policy.