

SEMI-MONTHLY REPORT

May 31, 2017

AGDC Semi-Monthly Report

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1. Message from AGDC

The following is the semi-monthly report from 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 completed an initial sales and marketing trip to China during the second half of May to meet with potential LNG buyers and investors. 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 is finalizing documents for, and will soon initiate, the equivalent of an “open season” process to solicit for Alaska LNG Foundation Customer capacity. The capacity solicitation will provide upstream gas producers 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 gas producers the ability to access global gas markets and thereby market their gas. The “open season” process will also allow in-state and other customers – including AGDC – an ability to secure capacity on the system.
 - AGDC will use the responses to determine the initial capacity design of the Alaska LNG system.
 - Initial respondents will secure rights to become Foundation Customers, which will include 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.
- AGDC has executed several confidentiality agreements with Alaska LNG Summit attendees and other parties that will allow them access to the Alaska LNG project data room, which contains technical data, reports, and presentations relating to the project.
- AGDC continues to negotiate a deal with the Alaska LNG LLC JV partners (BP, ConocoPhillips, and ExxonMobil) for an option 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 expert staff to the project to advance these efforts.

2.4 Federal Support

- AGDC met with Secretary of the Interior Ryan Zinke in Anchorage on May 29, 2017 to discuss federal actions to help advance Alaska LNG. The Secretary acknowledged Alaska's pivotal role in making America energy dominant. He also indicated his intentions to remove unnecessary federal roadblocks from the Department of the Interior that could potentially slow the permitting process.
- Because of U.S. President Donald Trump and Chinese President Xi Jinping's agreement to advance U.S. - China economic cooperation with a 100-day action plan under the framework of the U.S. - China Comprehensive Economic Dialogue, China published a 117-page "wish list for 'win-win' U.S. trade ties." The document specifically identifies, "trying to find opportunities for LNG export terminal projects," as a trade priority.
- Following Vice President Mike Pence's meeting with AGDC in Anchorage last month, AGDC continues to communicate with various federal agencies about the Alaska LNG project.
- AGDC continues to provide detailed project information to representatives of the Trump administration and is developing specific detailed requests for executive and administrative relief and support to help advance the project. Meetings with members of the Alaska congressional delegation and cabinet secretaries are being scheduled for early June.

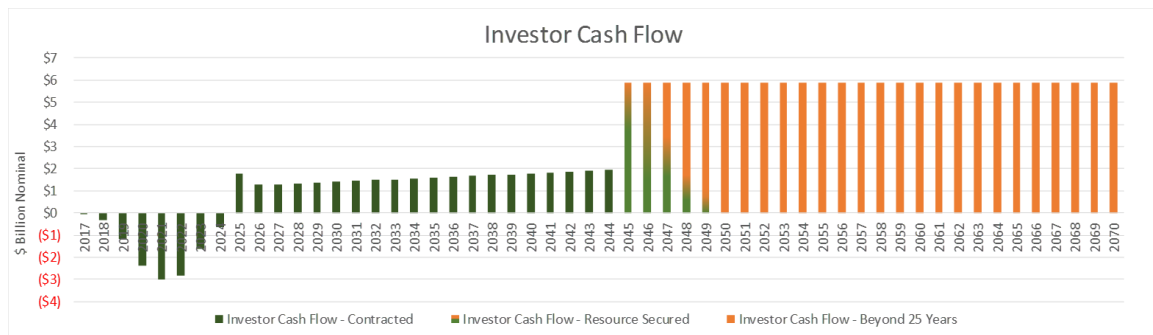
2.5 Project Marketing

- AGDC met with 14 potential LNG buyers and 2 potential investors in Shanghai, Hangzhou, and Beijing May 8-12, 2017. Meeting follow up is underway and AGDC expects Chinese LNG buyers to visit Alaska throughout the summer.
- AGDC attended the CWC China LNG & Gas International Summit & Exhibition in Beijing May 17-18, 2017. In addition to participating in prescheduled meetings with prospective LNG buyers, AGDC president, Keith Meyer, gave a presentation about the Alaska LNG project on May 18.
- AGDC is developing government-to-government marketing presentations to promote Alaska LNG as a strategic opportunity for sovereign governments to invest, reduce trade imbalances, and secure long-term LNG supplies.
- AGDC will be addressing the lack of awareness of Alaskan gas in the Asian marketplace through an enhanced marketing campaign focused at Asian markets. (AGDC was asked by

more than one large Chinese buyer why they had not heard of Alaska’s gas opportunity before.)

2.6 Financing

- 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. The graph below illustrates the project’s attractive projected investor returns and will be included in the final project economics presentation.



- AGDC has interviewed several globally recognized financial institutions to serve as a financial advisor. The successful candidate will assist in arranging financing for the Alaska LNG project. Currently, 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.
- A detailed investor prospectus to demonstrate the competitiveness of the project to potential major investors, lenders, and the Legislature continues to be refined. The investment prospectus will demonstrate the following:
 - Lower return third-party project financing will allow the project to provide an acceptable return on investment to long-term lenders and infrastructure investment funds.
 - Under a third-party project finance structure, the project is able to compete with other new supply sources.
 - Upstream gas sellers will earn an acceptable netback.
 - The State of Alaska will earn an acceptable return on equity for its investment, taking advantage of debt leveraging and project finance structure.
 - The potential, after debt retirement, to provide a multi-billion-dollar annual cash flow to the State of Alaska (assuming the state is the majority owner).

3. Regulatory and Program Management

The period to submit comments to the Federal Energy Regulatory Commission (FERC) or become an intervener (either positive, negative, or neutral) closed on May 22, 2017. While Alaska LNG moves forward as AGDC’s priority project, the Alaska Stand Alone Pipeline (ASAP) continues to quietly advance toward a final environmental impact statement and record of decision.

3.1 Alaska LNG Project

- As of May 30, 2017, FERC received 37 comments in support of Alaska LNG and 2 comments in opposition to the project. The positive comments came from individual Alaskans, support organizations, contractors, labor unions, industry, Alaska Native Regional Corporations including Arctic Slope Regional Corporation and Calista Corporation, and the Governor of Alaska. The two negative comments came from the Sierra Club and the Center for Biological Diversity – two out-of-state entities that object to hydrocarbon development. Additionally, FERC received ten motions to become interveners.
- Phase 1 of the process to receive approval under Section 3 of the National Gas Act has commenced. AGDC is preparing responses to regulatory questions and comments that will be submitted to FERC prior to completion of its 90-day review of the application. AGDC will send the first 100 responses to FERC by June 5, 2017.
- BP is providing subject matter experts to develop and manage technical work products to support the responses to FERC and regulatory agencies.
- 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 through the FERC regulatory filing and into the engineering, procurement, and construction phases of the project. Additional face-to-face meetings with lead contractor candidates are scheduled for the first two weeks in June 2017.
- AGDC submitted four special permit applications to the Pipeline and Hazardous Materials Safety Administration (PHMSA). Docket numbers have been assigned to each of these applications.
- Work continues on providing responses to FERC comments on in-state gas issues.
- White papers have been developed to advise congressional offices and federal administration personnel as AGDC requests regulatory, statutory and administrative flexibility in the permitting process. The following white papers are under development:
 - Issue: Wetlands Jurisdiction – Army Corps section 404 permit responsibilities versus FERC Wetlands Policy and Procedures.
 - Issue: Regulatory preference for above ground pipeline construction versus below ground pipeline construction on Alaska’s North Slope.

- Issue: Granting federal lands designated under Public Land Order 5150 and selected by the State of Alaska for pipeline right of way.
 - Issue: Expedited schedule for FERC to NEPA review.
 - Issue: Regulatory jurisdiction of the Gas Treatment Plant.
 - Issue: Coordination of the Endangered Species Act actions with State of Alaska regulatory agencies.
- The U.S. Senate Committee on Energy and Natural Resources held a hearing on May 25, 2017, to consider the nominations of Mr. Neil Chatterjee of Kentucky and Mr. Robert F. Powelson of Pennsylvania to be members of the Federal Energy Regulatory Commission (FERC). Committee Chair Senator Lisa Murkowski said she plans a vote to advance the nominees as soon as the Senate returns from recess. The agency has been without a quorum and unable to make major decisions affecting pipeline projects since February.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- The Army Corps of Engineers (Corps) issued an updated schedule on the environmental impact statement (EIS) to AGDC. The Corps will conduct public meetings in 10 communities from mid-July through mid-August. A list of the public meeting locations and dates will be provided on the ASAP project website at <http://www.asapeis.com/publicmeetings.html>.
- AGDC is reviewing the draft supplemental environmental impact statement (SEIS) for accuracy prior to the Corps publishing it in the federal register in June.

4. Communications, Administrative, and Other

Community outreach throughout Alaska was a focus throughout the second half of May. Concurrently, work continues on developing new promotional materials, addressing questions from reporters and Alaska residents, as well as hosting community meetings across the state in areas directly affected by the Alaska LNG project.

4.1 Communications

- AGDC president, Keith Meyer, provided an interview to Alaska Dispatch News oil and gas reporter, Alex DeMarban, on May 25, 2017.
- AGDC held community meetings to present an update on Alaska LNG project and answer questions in Barrow, Fairbanks, and Wasilla on May 16, 18, and 25, respectively. AGDC will hold a community meeting in Cantwell on June 8, 2017.
- AGDC president, Keith Meyer, provided an interview to Voice of America on May 25, 2017.