

SEMI-MONTHLY REPORT

August 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 signed a confidentiality agreement with another Chinese LNG buyer as well as with a Korean company. 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 in the final days of its foundation customer capacity solicitation. 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 other third parties, including AGDC, the ability to secure foundation capacity.
 - Initial respondents will secure rights to become “Foundation Customers,” which will include certain rights to expand 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 intends to secure Foundation Customer status, which will enable us to purchase gas supply and market LNG.
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 - This process does 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.

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

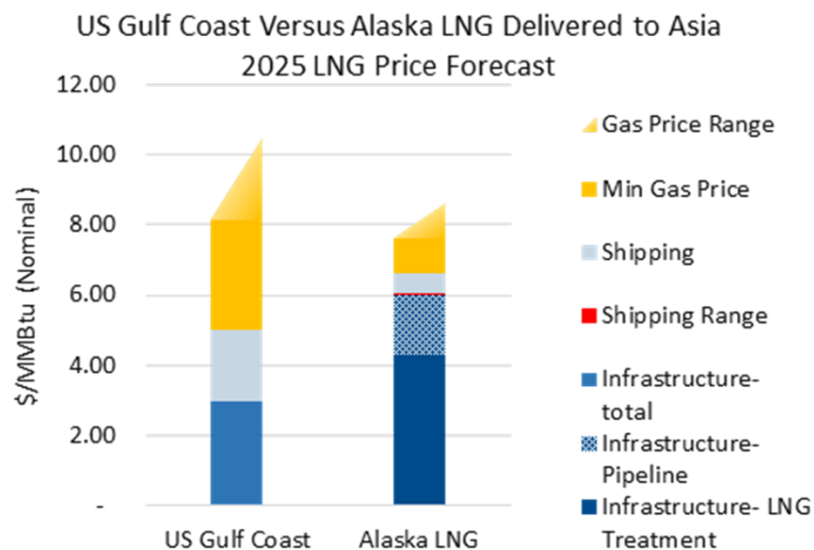
- AGDC and BP continue to work together in the areas of regulatory, finance, and commercial structure as they relate to the Alaska LNG project. BP has provided subject matter expertise to advance these efforts. BP has also supported AGDC's efforts to promote the project in Asia by offering physical and work product assistance in educating Asian commercial entities about Alaska's rich proven gas resource in Prudhoe Bay.

2.4 Federal Support

- AGDC's Alaska LNG FERC filing was accepted as a covered project under the FAST-Act, which should provide for expedited regulatory treatment.

2.5 Project Marketing

- AGDC met with several large, high-potential LNG buyers in Asia. Many of these meetings were follow-up to earlier, initial outreach efforts.
- 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.



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

- The Federal Permitting Improvement Steering Council (FPISC) approved AGDC's request to include the Alaska LNG project as a "covered project" under Title 41 of the Fixing America's Surface Transportation Act (FAST-41) on August 17, 2017. The law improves the timeliness, predictably, and transparency of the Federal environmental review and authorization process for covered infrastructure projects and requires the lead agency to develop a concise, coordinated project plan for each covered project. The Federal Energy Regulatory Commission (FERC), as the lead agency overseeing AGDC's application to obtain a Natural Gas Act section 3 permit to build Alaska LNG, will develop a concise, coordinated project plan and publish the environmental review schedule to FPISC's website (<https://www.permits.performance.gov/permitting-projects/alaska-lng-project>).
- Marking a positive development for Alaska, U.S. President Donald Trump signed an Executive Order on August 15, 2017, establishing discipline and accountability in the environmental review and permitting process for infrastructure projects. According to a press release issued by the White House, "The Executive Order will make the environmental and permitting processes needed for major infrastructure projects more efficient and effective." The order also "establishes a two-year goal to process environmental documents and federal approval for major infrastructure projects," and "requires a single Record of Decision to be issued jointly by all federal agencies whose approval is needed for the project."
- AGDC responded to FERC's second data request (issued on July 28, 2017) regarding resources reports 5, 8, & 9 on August 18, 2017. In the response, AGDC provided answers to as many questions as possible using existing data as well as a delivery schedule for the remaining responses.
- AGDC selected a contractor to update and analyze Kenai Spur Highway route alternatives.
- 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.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- The U.S. Army Corps of Engineers (USACE) extended the public comment period for ASAP to August 29, 2017.
- The USACE held a public meeting to provide an update on the ASAP Supplemental Environmental Impact Statement (SEIS) in Willow on August 18, 2017.
- AGDC is preparing a formal response to the USACE's request for amendments and clarifications to issues found in the draft Supplemental Environmental Impact Statement (SEIS).

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 exhibited at the Alaska State Fair during “Energy Day” in Palmer on August 24, 2017.
- AGDC presented an Alaska LNG update at the Kodiak Chamber of Commerce’s Community Forum in Kodiak on August 24, 2017.
- AGDC presented an Alaska LNG update at the Commonwealth North’s Energy Action Coalition luncheon in Anchorage on August 25, 2017.
- AGDC issued press releases regarding President Trump’s Executive Order and the Federal Permitting Improvement Steering Council (FPISC) determination that Alaska LNG is a “covered project” under Title 41 of the Fixing America’s Surface Transportation Act (FAST-41), on August 16 and 18, 2017, respectively.
- AGDC responded to multiple inquiries from legislators and media regarding FPISC’s determination that Alaska LNG is a “covered project” under Title 41 of the Fixing America’s Surface Transportation Act (FAST-41).
- AGDC responded to an interview request from Alaska Public Media’s Liz Ruskin regarding President Trump’s Executive Order (EO) issued on August 15, 2017. The EO intends to establish discipline and accountability in the environmental review and permitting process for infrastructure projects and is a positive development for Alaska.
- 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.