

SEMI-MONTHLY REPORT

September 29, 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 promoted Alaska LNG at a China-U.S. investment roundtable hosted by the China Investment Corporation in mid-September. 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 20 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.

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 Project Marketing

- Marketing efforts continue in Asia with Alaska gaining good awareness and reception.
- At the invitation of the Korea Gas Corporation (KOGAS), AGDC attended the Asia Pacific Gas Conference in Daegu, South Korea on September 27-29, 2017. The conference enabled further discussions between KOGAS and AGDC since the two organizations signed a memorandum of understanding in Washington, D.C. on June 28, 2017. While in South Korea, AGDC also advanced commercial discussions with an additional major Korean LNG buyer.

- Senior officials representing a LNG buyer in Southeast Asia traveled to Anchorage to meet with AGDC and learn more about Alaska LNG on September 18-19, 2017. The visit included a number of meetings, presentations, and facility tours. The representatives paid all of their own travel and lodging expenses.
- 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.
- 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 seven 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 and shipping advantages.



Potential Alaska LNG buyers learn about remote Alaska construction techniques during a site visit to STG Inc. in Anchorage on September 18, 2017

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 September 21, 2017, AGDC responded to the Federal Energy Regulatory Commission's (FERC) second data request (issued on July 28, 2017) regarding Resource Report numbers 2, 3, and 4 along with a set of general data requests related to the use of granular fill. In the responses, AGDC provided answers to as many questions as possible using existing data as well as a delivery schedule for the remaining responses.
- AGDC met with several federal regulatory agencies in Washington, D.C. throughout the week of September 25, 2017. While in D.C., AGDC also updated members of Alaska's congressional delegation and their staffs on recent Alaska LNG project progress.
- AGDC continues to brief Trump Administration officials on the regulatory and environmental challenges of permitting a pipeline and export project. While in Washington, D.C., throughout the week of September 25, 2017, AGDC met with the director of the Council on Environmental Quality (CEQ) and other high-level White House officials. AGDC asked the CEQ to instruct agencies to coordinate with each other in order to reduce duplicative requests to AGDC in order to improve

the timeliness of the Alaska LNG permitting process. The CEQ and other White House officials are supportive of not duplicating efforts and offered positive feedback to AGDC.

- The CEQ published new guidelines in the federal register last week directing agencies to avoid duplicating efforts.
- Technical teams continue to work on drafting responses to environmental data requests from FERC regarding the environment and engineering of the Alaska LNG project. AGDC is identifying to FERC the large body of environmental data and analyses done on ASAP that FERC should leverage in its managing of the Alaska LNG National Environmental Policy Act (NEPA) process.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- 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. AGDC submitted two sets of comments during the public comment period. The USACE so far has indicated they have received 79 comment letters, which include federal and state agency comments. Currently, the USACE's third party contractor, ERM, is reviewing and responding to comments as well as asking AGDC for assistance in formulating responses when necessary.
- 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.
- AGDC staff is working with personnel at the U.S. Environmental Protection Agency (EPA) in Washington, D.C. to address EPA's action that would classify the entire Yukon River basin as an Aquatic Resource of National Interest (ARNI) unnecessarily. Such a designation could have unintended consequences for any project (schools, sanitation, transportation, etc.) in this geographic region of approximately 200,000 square miles. AGDC will handle EPA concerns through the ongoing regular permitting process underway with the USACE.

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 an Alaska LNG update at the World Trade Center Anchorage's Alaska Infrastructure Development Luncheon in Anchorage on September 20, 2017.
- AGDC participated in the University of Alaska Fairbanks' Engineering Career Fair in Fairbanks on September 20, 2017.
- 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.