

May 5, 2026

The Honorable Cathy Giessel  
Chair, Senate Resources Committee  
Alaska State Capitol, Room 121  
Juneau, AK 99801

Dear Chair Giessel:

During the Senate Resources Committee hearing on May 1, 2026, Senator Wielechowski asked the Alaska Gasline Development Corporation (AGDC) to provide clarification regarding the utilization of gravel materials for the Alaska LNG Project:

### **Regulatory Context**

In February 2026, the Alaska Department of Natural Resources (ADNR) amended 11 AAC 71.090(b). This amendment permits a material cost of \$0.00 under a sales contract, provided the applicant is a "state agency or public corporation" and the transfer is "in the public interest and serves a public purpose." Due to AGDC's status as a public corporation, it is eligible to obtain these materials without a fee, presenting a significant opportunity to reduce construction and operational costs for the Alaska LNG Project while receiving long-term value for the State's resources.

### **Current Negotiations and Equity Structure**

Because these regulatory changes occurred after AGDC executed its 2025 definitive agreements with the project developer, Glenfarne, the existing contracts do not address the contribution of state-sourced material. Consequently, AGDC is currently negotiating an agreement with Glenfarne based on the following framework:

- **Deferred Capital Expenditure:** AGDC will provide gravel material with no initial cash outlay required from the project.
- **Equity Conversion:** In exchange for the material, AGDC will receive equity ownership in each subproject on a "cost incurred" basis.
- **Strategic Investment:** This mechanism allows AGDC to fund a portion of its option to invest up to 25% in each subproject at the Final Investment Decision (FID) without requiring a direct cash contribution from the State.

### **Economic Justification**

AGDC maintains that this approach is structurally superior to a traditional material sale. The long-term value of equity ownership is projected to far exceed the one-time revenue generated by a cash sale of material. AGDC will have the inputs necessary to provide detailed modeling of this long-term value upon each subproject reaching FID.

Sincerely,



Frank T. Richards  
President

Cc: Jordan Shilling, Director, Governor's Legislative Office  
Lizzie Kubitz, Legislative Liaison, DCCED