

Investing in Alaskans

Alaska Legislative Budget and Audit Committee

April 9, 2025

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CONSTITUTIONAL AUTHORITY AND BENEFITS TO ALASKA

Constitution of Alaska

Article VIII – Natural Resources

Section 1. Statement of Policy. It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

Section 2. General Authority. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

Article VII – Health, Education, and Welfare

Section 1. Public Education. The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions.

Section 4. Public Health. The legislature shall provide for the promotion and protection of public health.

Section 5. Public Welfare. The legislature shall provide for public welfare.

AIDEA

AIDEA's purpose is to "increase job opportunities and ... encourage the economic growth of the state ..." (AS 44.88.010)

State of Alaska
Revenue

Jobs and Benefits
to Alaskans

AIDEA FISCAL YEAR 2024

FINANCIAL HIGHLIGHTS

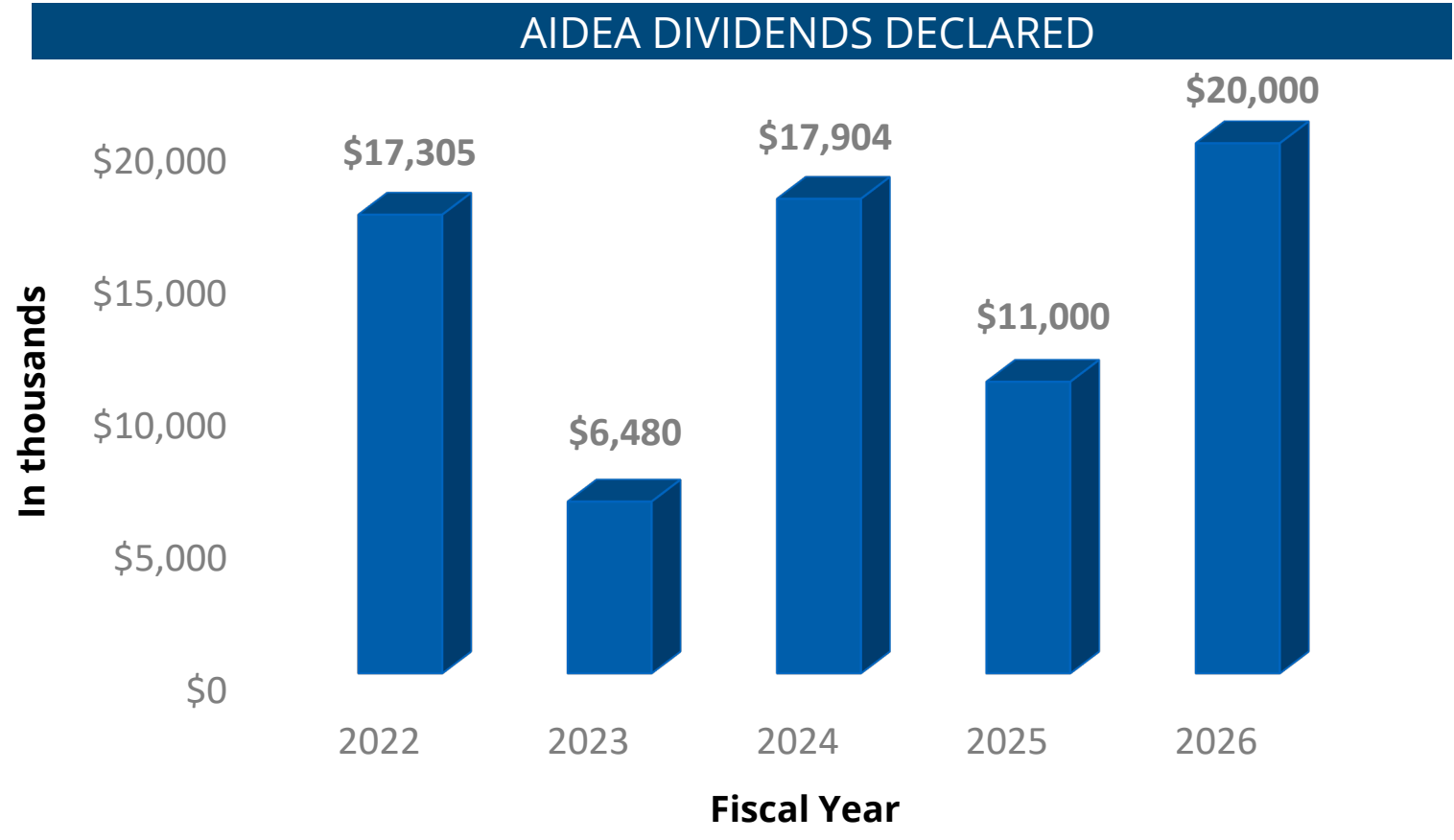
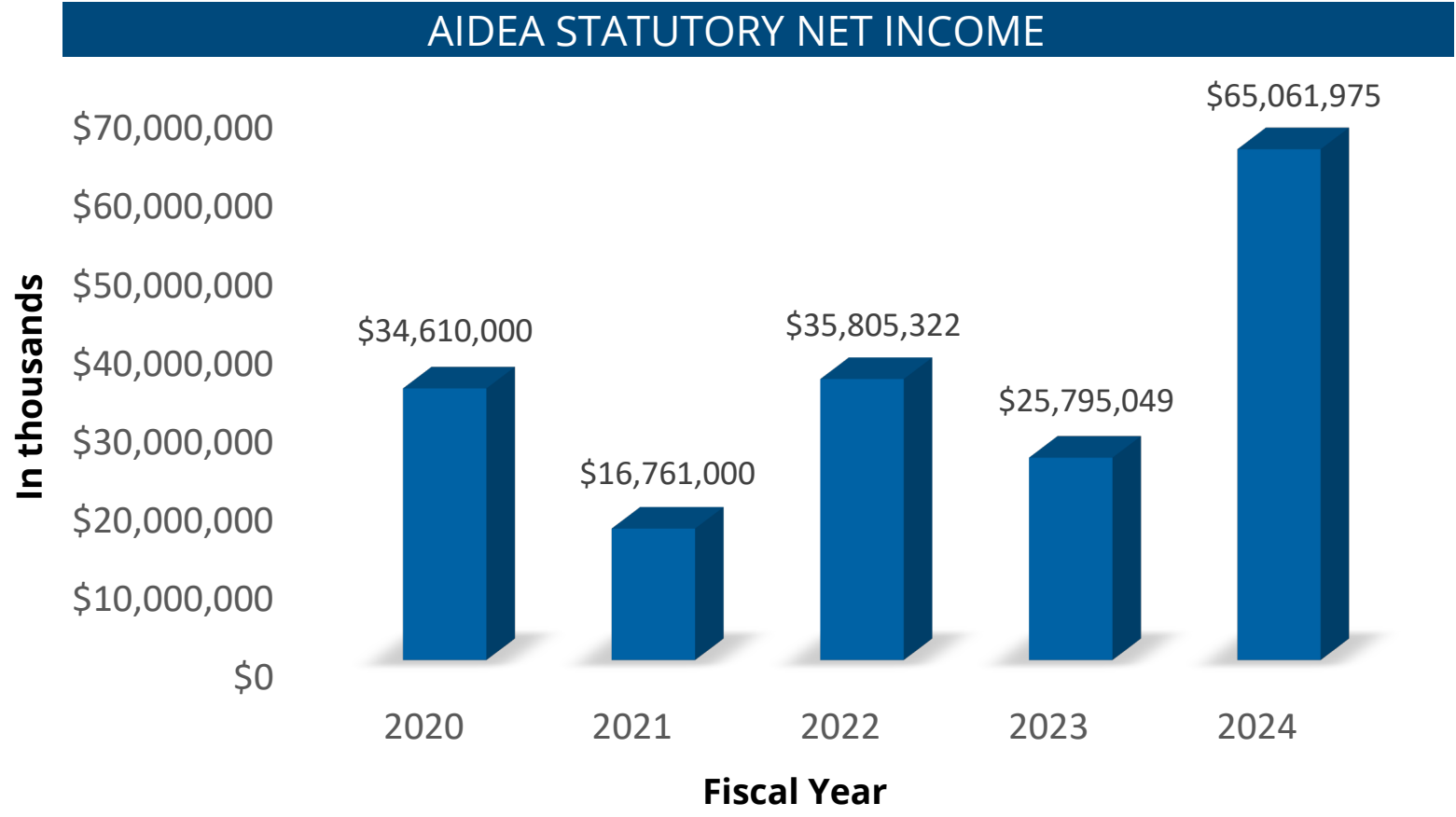
\$1.49 B
AIDEA
NET
POSITION

\$65 M
NET INCOME,
HIGHEST IN
AIDEA'S
HISTORY

\$1.7 M
ATTRIBUTED
PER AIDEA
EMPLOYEE IN
FY2024

\$20 M
FY2026
AIDEA
DIVIDEND

\$495 M
TOTAL AIDEA
DIVIDENDS
SINCE
FY1997



ALASKA GASLINE DEVELOPMENT CORPORATION AND AIDEA

AUTHORITY OF AIDEA TO ISSUE A “CORPORATE GUARANTEE” TO AGDC / 8-STAR

- The type of credit facility AIDEA is offering is a “Corporate Guarantee”. A promise in writing in a contract with Glenfarne/8-Star.
- The Corporate Guarantee in this case is both “limited” and “conditional.”
- It is “limited” to an amount “up to” a sum certain. In this case, “up to” \$50 million. The financial liability to pay is limited to the actual cost for Front End Engineering Design (FEED) work completed when a Final Investment Decision (FID) decision is made.
- Glenfarne/8-Star pays for FEED work to be performed from its funds.
- A significant contingency amount is included in the \$50 million number. The actual amount at risk for AIDEA will likely be considerably less.
- The corporate guarantee is “conditional” because the obligation to make payment only comes into effect **if** there is a decision by Glenfarne/8-Star **not** to proceed with FID.
- If Glenfarne/8-Star chooses to go forward with the project (positive FID), then AIDEA pays nothing for the FEED work.
- Multiple statutes give AIDEA the legal authority to enter into a corporate guarantee contract with 8-Star / AGDC. AS 44.88.080(5); AS 44.88.080(9); AS 44.88.080(11); AS 44.88.080(13) and AS 44.88.080(17)

AUTHORITY OF AIDEA TO COMMIT AIDEA ASSETS

- Art. III, sec. 22, of the Alaska Constitution gives the Legislature the authority to create separate entities from the State of Alaska and grant these entities the authority to act and make decisions using their own resources.
- The ability of the Legislature to create AIDEA and give it an existence separate and apart from the State of Alaska and to manage and use its own assets, which are not considered assets of the State of Alaska, was decided in favor of the Legislature and AIDEA in 1962. DeArmond v. Alaska State Development Corporation, 376 P.2d 717 (1962)
- AIDEA statutes were rewritten in 1967 to expressly set out its authority and powers, including the authority to contract, spend, and use its own assets, within boundaries set by statute.
- AS 44.88.190(a) removes AIDEA's funds from the Executive Budget Act, except for the operating budget AS 44.88.205.

WHY NOW? WHAT IS DIFFERENT?

- **Legislature Supports “Working Toward” FEED for Phase I of a Pipeline Project** “It is the further intent of the legislature that if analysis shows a positive economic value to the state, all parties would work toward Front End Engineering and Design for Phase I of a pipeline project.”
- **Wood Mackenzie Report Shows a Positive Economic Value for Phase I** Alaska LNG can predictably deliver natural gas in a range between \$8.97 - \$12.80 per mmbtu; Alaska LNG will dramatically lower long-term energy prices; and Alaska LNG Phase I will deliver up to \$16 billion in additional economic benefits as compared to other options.
- **AIDEA Board (After Multiple Meetings) Passes Resolution G24-17** Board authorized AIDEA staff and the Executive Director to perform due diligence and if satisfied, to execute a “credit instrument, guaranty, or other form of debt issuance” to provide a backstop and allow FEED to advance.
- **President Trump’s Trade Policies** Taiwan’s state-run company CPC Corporation signed a Letter of Intent to buy gas and invest in the project. Japan is expressing interest along with other countries. “Japan has committed to reduce the trade deficit with us and its reliance on Russia by purchasing U.S. liquefied natural gas. I will hold them to that promise.” George Glass, Nominee for Ambassador to Japan, Senate confirmation hearing.

WHY NOW?

WHAT IS DIFFERENT? (CONT.)

- **Crisis with Gas Supply for Railbelt** According to Enstar at the recent RCA meeting (Jan. 15, 2025) and in other meetings, Alaska will experience a gas shortage. Enstar has studied all project options and has decided to go forward with Glenfarne with an onshore import terminal. There is no way for imported gas or Cook Inlet gas – likely to be sold at a rate near the price for imported gas (\$13.72) – to get to the low \$2.32 per mmbtu price that Alaska LNG could provide via a pipeline. (Page 8, AGDC Presentation, January 28, 2025)
- **Cheap and Clean Gas from Great Bear** Publicly filed information from Great Bear shows certified contingent oil resources at 1.6 billion barrels (management thinks they can get to 3.5 billion) 6.6 TCF of gas from Kodiak, Ahpun, and Ahpun Western Topsets. And separately a possible 3.3 TCF of gas from the Magrez-1 Well and drilling. All gas available at up to 500 million cfd at a maximum price of \$1 per million btu. 20 years. Gas Sales Purchase Agreement with AGDC.
- **Gas Suppliers Proceed Without Fiscal Certainty** Current suppliers of gas such as Great Bear are not making a constitutional amendment or contract for “fiscal certainty” on gas taxes a precondition for providing gas.
- **Prudhoe Oil Loss Declining Yearly** Loss of oil production from Prudhoe as a result of gas offtake for a gas project is significantly reduced each year by the passage of time. It has been eight years since the AOGCC decision by Cathy Forrester that enough oil production had occurred, and enough gas reinjected and available for a gas project that gas offtake could occur.

WHAT'S IN IT FOR AIDEA?

- A Significant Return per year of operation of the project
- A possible share of tax savings (tax exempt financing, etc.)
- Meets mission of AIDEA / Economic development and jobs
- Brings gas and affordable energy to Railbelt for residential and commercial use. (Data centers, manufacturing, chemical production, etc.)

AIDEA OPPORTUNITIES TO LOWER COSTS THROUGH TAX EXEMPTIONS AND NEW MARKET TAX CREDITS

AIDEA TAX EXEMPTIONS

AS 44.88.140. Exemption From Taxation.

(a) "the real and personal property of the authority and its assets, income, and receipts are declared to be the property of a political subdivision of the state and, together with any project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an essential public and governmental function and purpose, and the property, assets, income, receipts, project, development project, and leasehold interests shall be exempt from all taxes and special assessments ..."

Federal Laws and tax issues:

- Issuance of tax-exempt financing (Revenue Ruling 63.20)
- Exemption from income taxes (IRC 170(c)(1))
- New Market Tax Credits / Program and Allocation for ANCSA Corporations and Tribes

WHAT ARE NEW MARKET TAX CREDITS AND PROGRAMS?

- To access the tax credits, a certified Community Development Entity applies for authority to deploy the tax credits.
- This entity selects projects and structures transactions that include a tax credit investor.
- The investor provides capital and receives its economic benefit from tax credits, not capital repayment. This results in a subsidy for the project.
- There are several new market tax credit programs, including a program for ANCSA corporations and Tribes.

Source: The CDFI Fund's New Markets Tax Credit Program Native Initiative | McKinley AGC Webinar February 8, 2024

Thank you for your support of AIDEA's services and programs.

**Together we are enabling long-term jobs
and economic opportunities for Alaskans.**



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