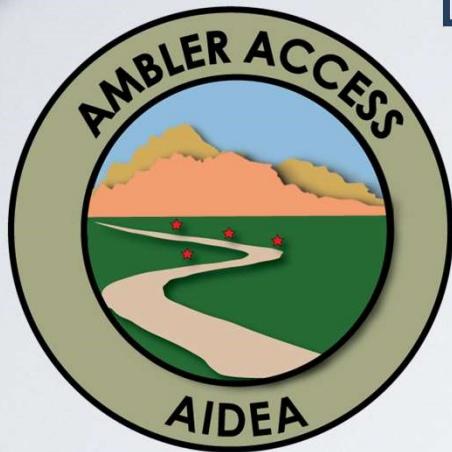




# Alaska Industrial Development and Export Authority



## Ambler Access Update

### House Resources Committee April 6, 2018



## Different risk characteristics and eligibility criteria

	Fund 1	Fund 2	Fund 3	External Capital	Special Appropriated Projects
Revolving Fund					
	<ul style="list-style-type: none"><li>• Economic Enterprise Account<ul style="list-style-type: none"><li>• Commercial Finance</li></ul></li><li>• Economic Development Account<ul style="list-style-type: none"><li>• Project Finance</li></ul></li></ul>	 SETS	 Energy Infrastructure	 Arctic Infrastructure Fund	<ul style="list-style-type: none"><li>• Arctic Infrastructure</li></ul>
				 Conduit Revenue Bonds	 Affordable Energy for Interior Alaska <ul style="list-style-type: none"><li>• DCCED, AEA, DNR, EPA, &amp; Local Governments</li></ul>
				 External Capital Markets	 Interior Energy Project <ul style="list-style-type: none"><li>• DCCED, AEA, DNR, EPA, &amp; Local Governments</li></ul>
					 AMDIAPIP <ul style="list-style-type: none"><li>• Ambler Mining District Industrial Access</li><li>• In Federal Permitting Process</li><li>• ANILCA 201(4)(b)</li></ul>



# Agenda

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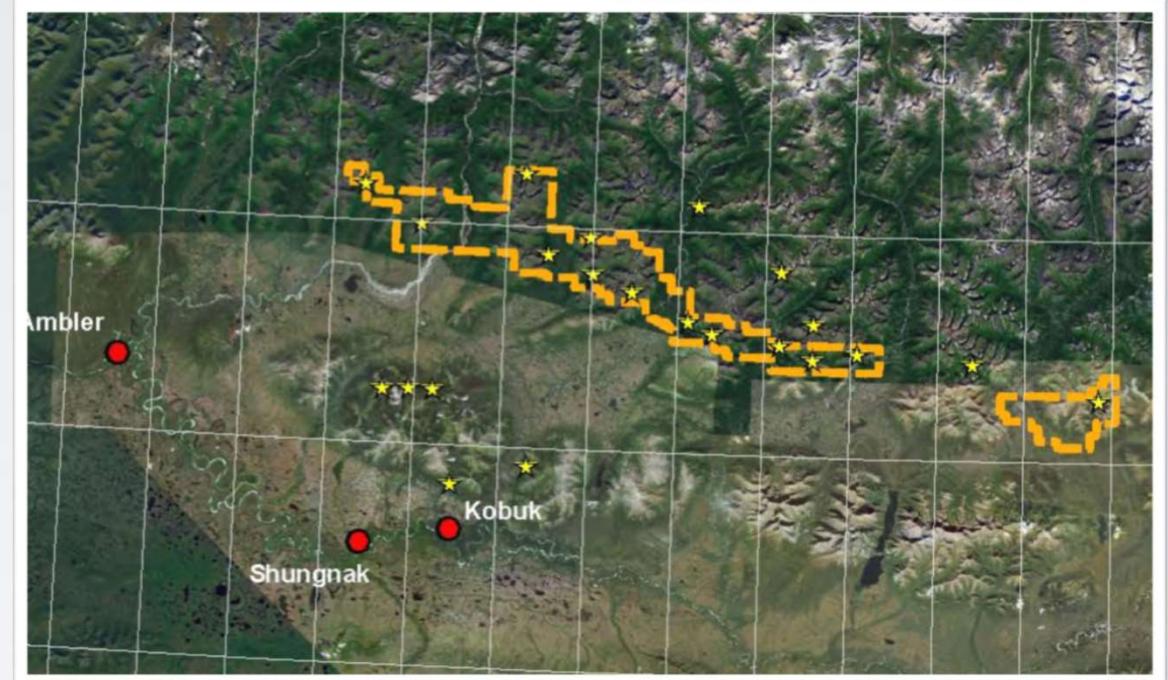
- Project Overview
- Project History
- Permitting Process
- Next Steps



# Project Overview

# Resource Rich Region

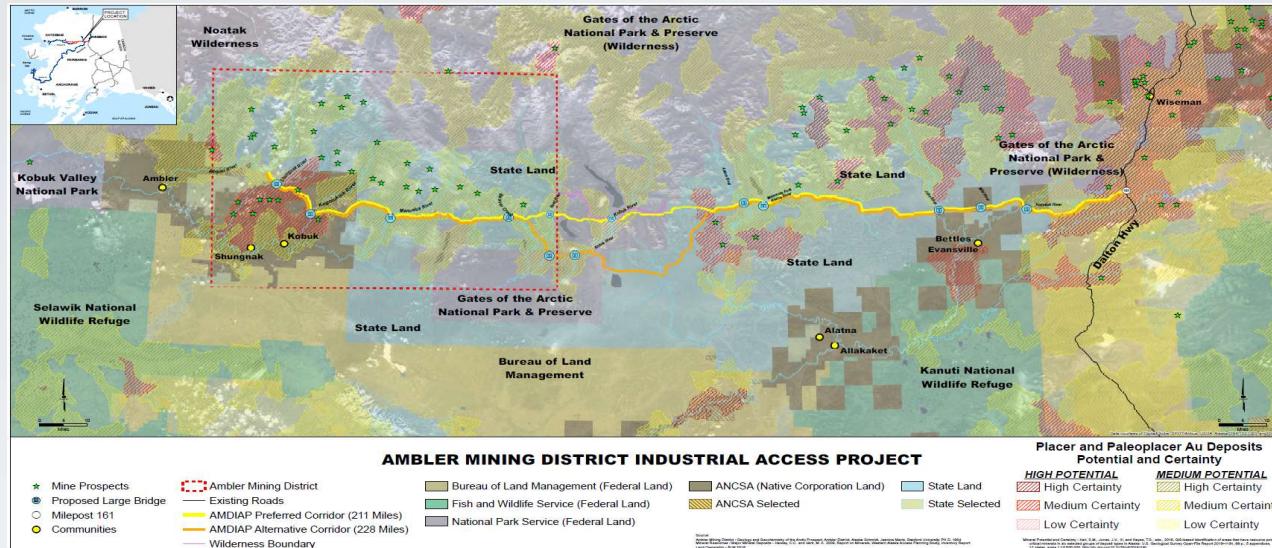
- 75-mile-long mineralized area
- Key deposits:
  - Arctic (Trilogy Metals)
  - Sun (formerly Andover Ventures)
  - Bornite (NANA)
  - Smucker (Teck Cominco)



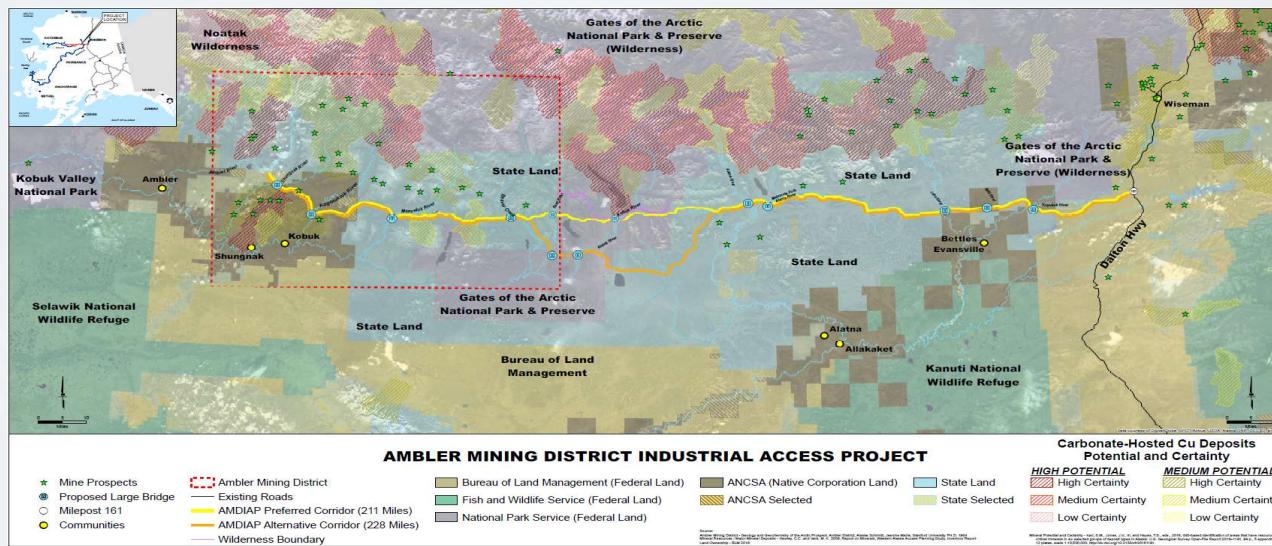
Mine feasibility studies show overland transportation is required for mining to be economically feasible

# Resource Rich Region

Gold



# Copper





# Purpose and Need

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“Congress finds that there is a need for access for surface transportation purposes across the Western (Kobuk River) unit of the Gates of the Arctic Natural Preserve (from the Ambler Mining District to the Alaska Pipeline Haul Road).”

- ANILCA, Section 201 (4) (b)

# Alaska – A Connected Economy

## Red Dog Mine

### Exports

China	5%
Europe	37%
Australia	8%
Japan	5%
Korea	15%
Vancouver, BC	30%

## Maritime

Shipping ports in Seattle, Vancouver, Canada, and California are essential for delivering goods and services. It is often cheaper to ship via barge versus air or freight. The Port of Anchorage receives an average of 450 vessel calls per year, most of which pass through or originate in the Pacific Northwest.

## Refineries

Though Alaska has one small refinery, the majority of oil produced is refined in plants on the West Coast of the U.S. Approximately 180,000 barrels were sent via barge to refineries in California, Hawaii, and Washington in 2014. Alaska also receives most of its oil products for consumption from the same refineries.

## Workforce

Alaska attracts professionals from all over the country, in particular the medical, education, oil and gas, academic, environmental, and legal industries. In 2014, more than 60% of Alaskans were born outside the State.

## Investments

Commodities, in particular natural resources but also technology, and research are funded through financing activities in NYC and the New York Stock Exchange (NYSE). The Alaska Permanent Fund Corporation is responsible for investing oil sale returns through the NYSE.

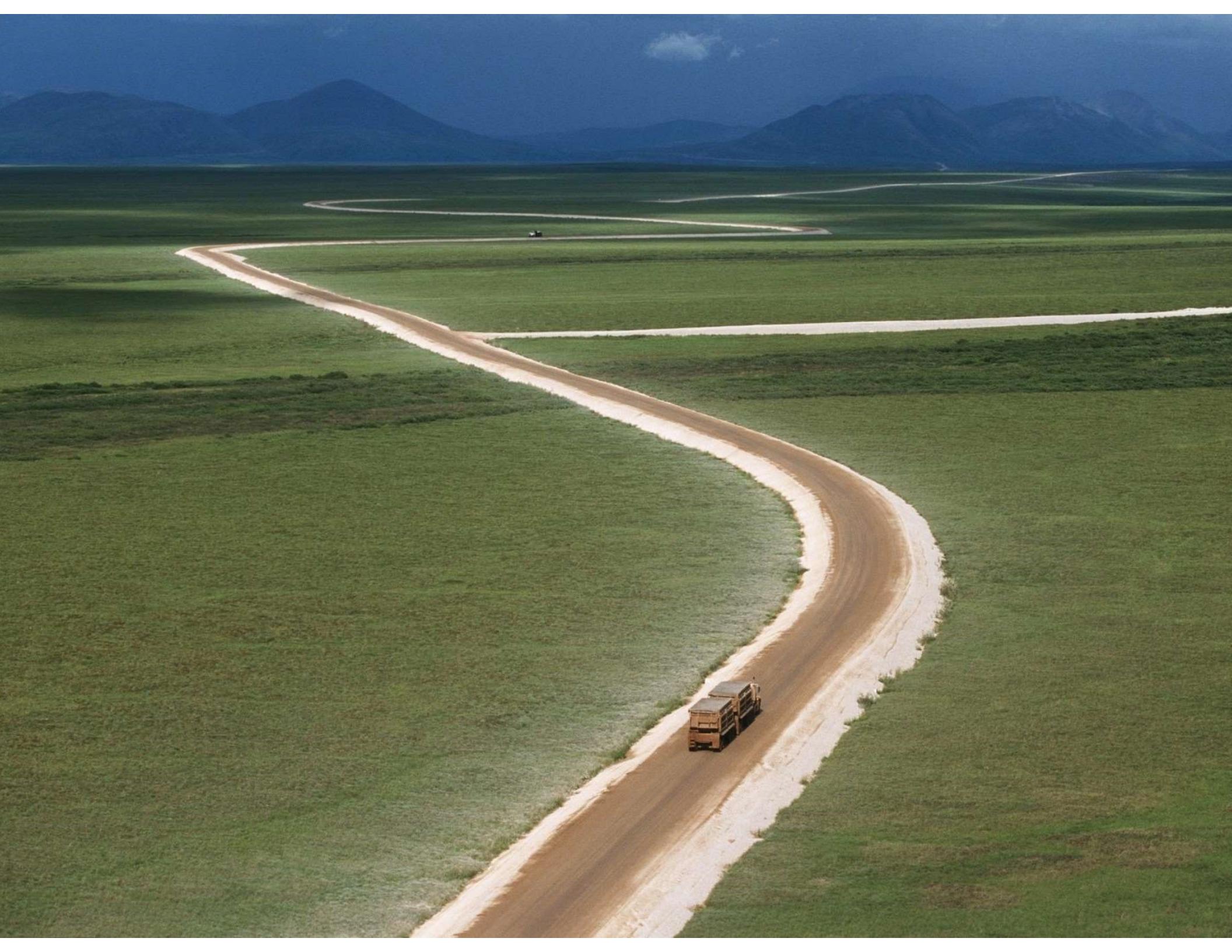
## Policy

Federal regulations affecting maritime traffic, natural resource development and leasing, environment, education, health care, are implemented through the political process in Washington, DC and through advocacy by Alaska's Congressional Delegation.

## Ship Building

While Alaska has active shipyards, much of the commercial production occurs in Southeast states - Louisiana, Alabama, Mississippi, Florida, private ship building contributed \$9.8 billion in GDP in 2011 to the U.S. economy. International shipping companies operating in Alaska spent in the billions of dollars on new ship builds each year.



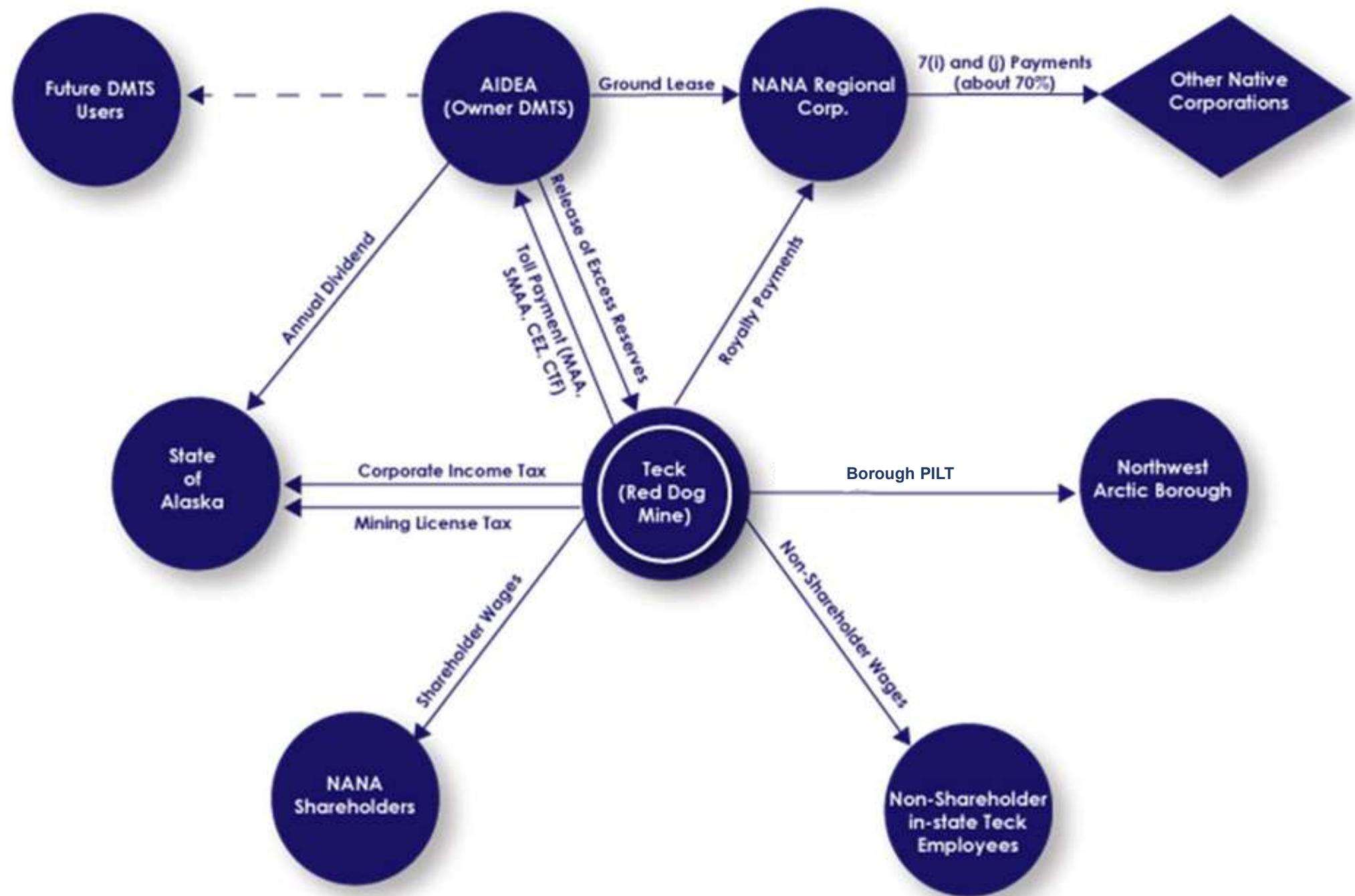


# DeLong Mountain Transportation System servicing the Red Dog Mine



The DMTS consists of a 52-mile long industrial road, an offshore conveyor system to load ore concentrates, ore storage capacity up to 1.2 million tons, a shallow water dock for fuel and other supplies, and on-site power generation. This project provides access to markets for the zinc and lead ores produced by the Red Dog Mine.

# Stakeholders in the Red Dog Mine





# Red Dog Mine Benefits



## Employment (2015)<sup>1</sup>

- >500 – Winter (November-May)
- >600 – May to October
- 61% NANA shareholder employment
- ~\$39 million in combined shareholder wages

## Economic Impact

- >\$1.1 billion in royalties to NANA since 1982; \$705.5 million shared with other regions under 7(i) & 7(j)<sup>1</sup>
- \$6.5 billion in net proceeds to NANA over the life of mine (through 2031)<sup>2</sup>
- PILT from Teck to NWAB was more than \$9 million in 2012



<sup>1</sup> NANA Corporation & Teck Alaska, 2015

<sup>2</sup> McDowell Study, 2009





# AMDIAP - Purpose of the Project

- Evaluate industrial access to the Ambler Mining District
- Support exploration and development of mineral resources in the Ambler Mining District
- Promote economic development and job opportunities in the region and the State



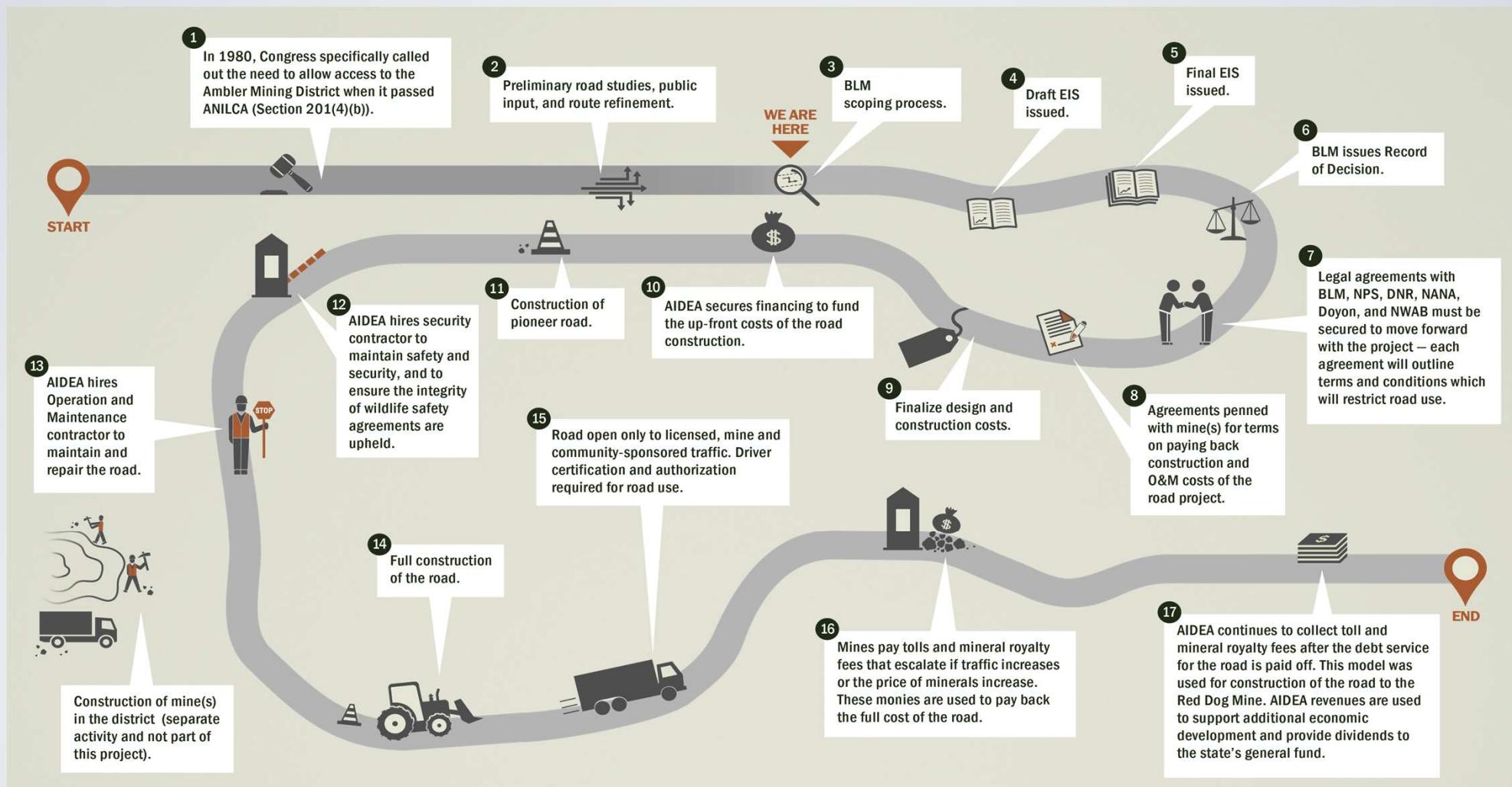


# Potential Community Benefits

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- Value of “industry economic engines” to communities including:
  - broadband access,
  - local jobs supporting cash economy,
  - better access to transportation, goods and services, and
  - tax base to help fund community sustainability (energy, water/wastewater, transportation infrastructure, and public facilities).

# Project Process





# Project History

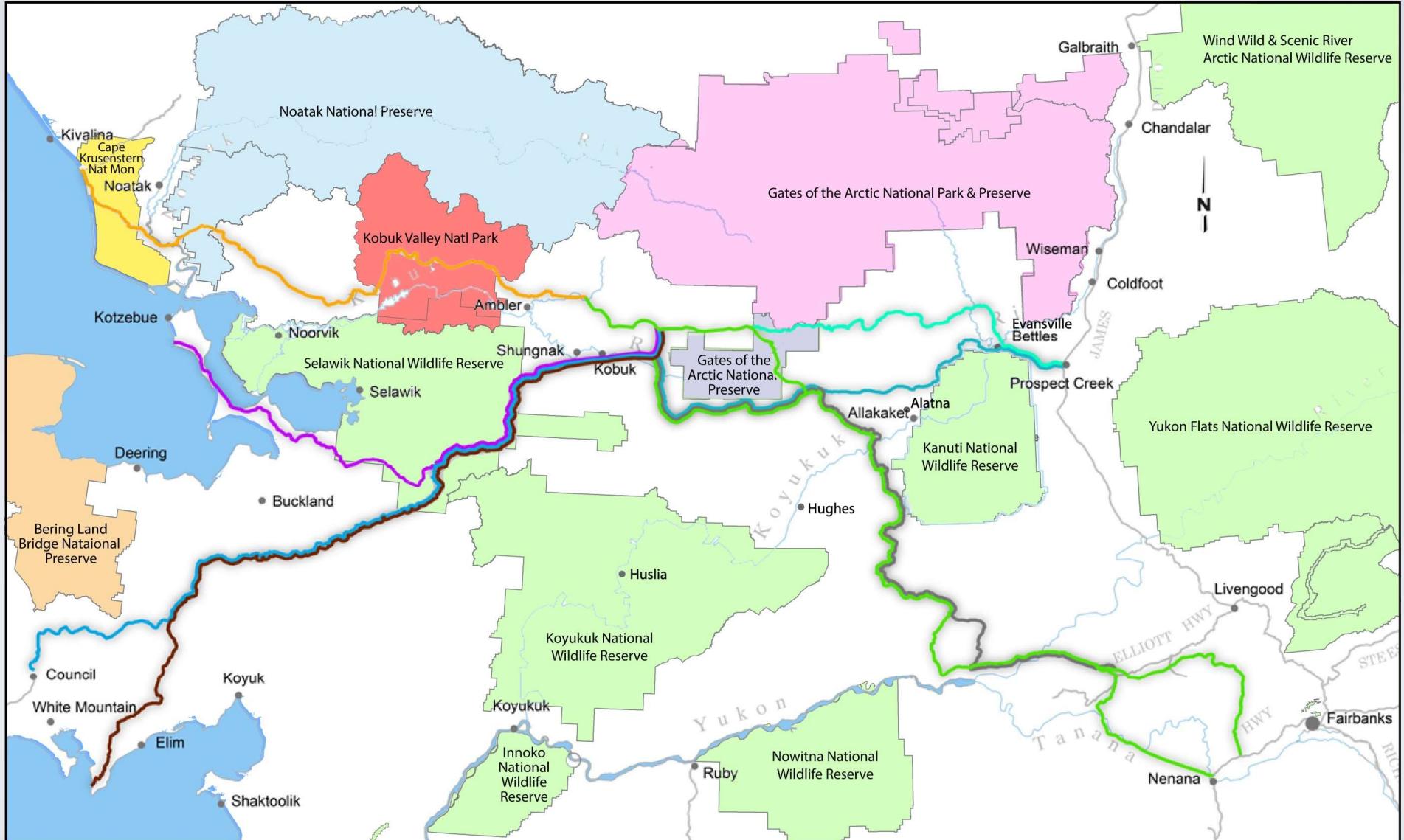


# Project History

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- DOT&PF initiated transportation reconnaissance efforts in 2010-transferred to AIDEA in 2013
- Community outreach started under DOT&PF, accelerated under AIDEA (over 30 meetings held)
- Preliminary baseline environmental research and engineering undertaken for ANILCA SF 299 ROW application

# DOT&PF Alternatives Evaluated



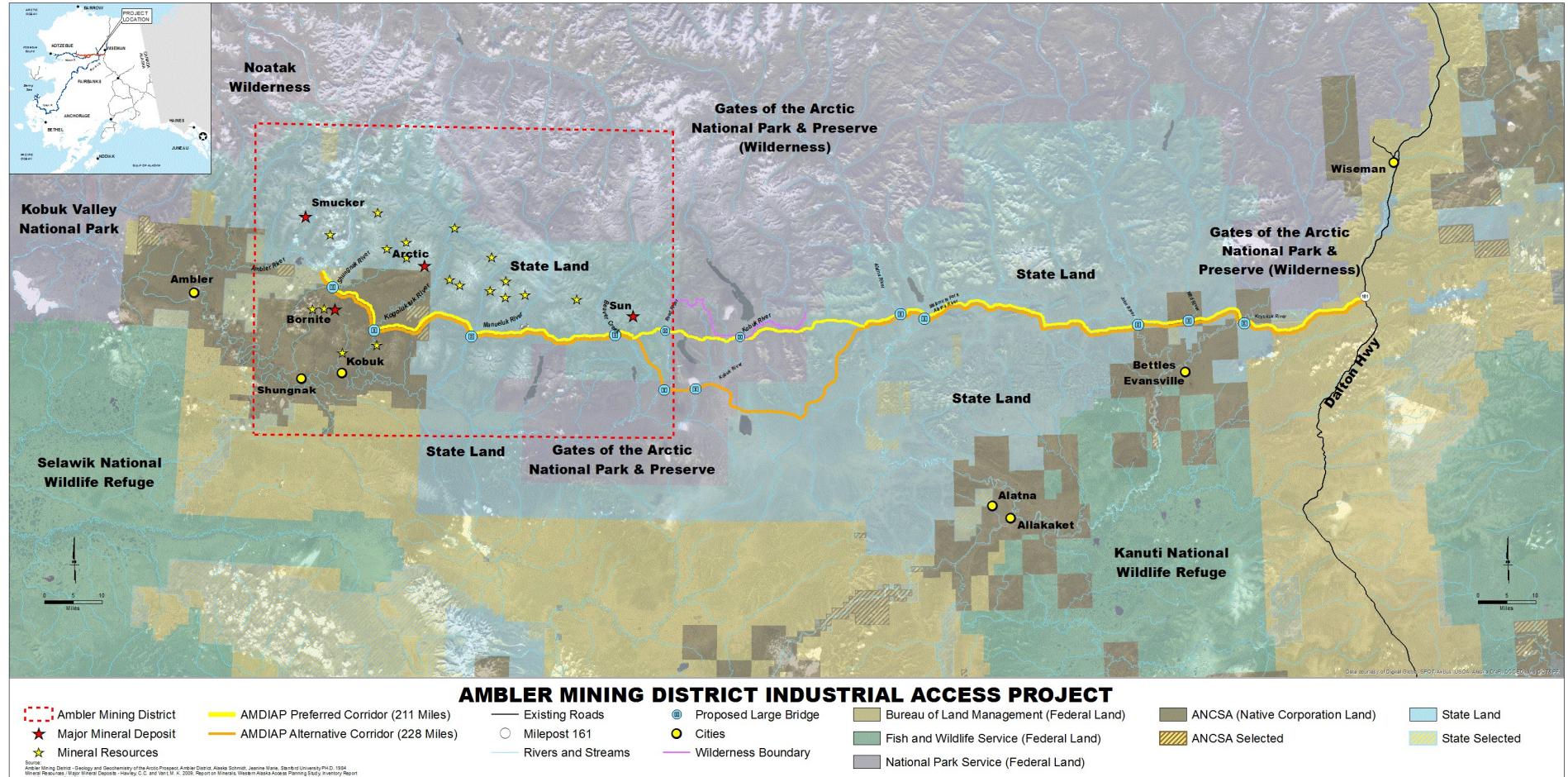


# AIDEA Alternatives Evaluated

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- Working with National Park Service, Identified 2 feasible routes across the Gates of the Arctic Preserve
- AIDEA conducted additional geo technical studies, including an HGM Studies
- AIDEA submitted SF299 application to 5 federal agencies in 2015

# Proposed AMDIAP Corridor

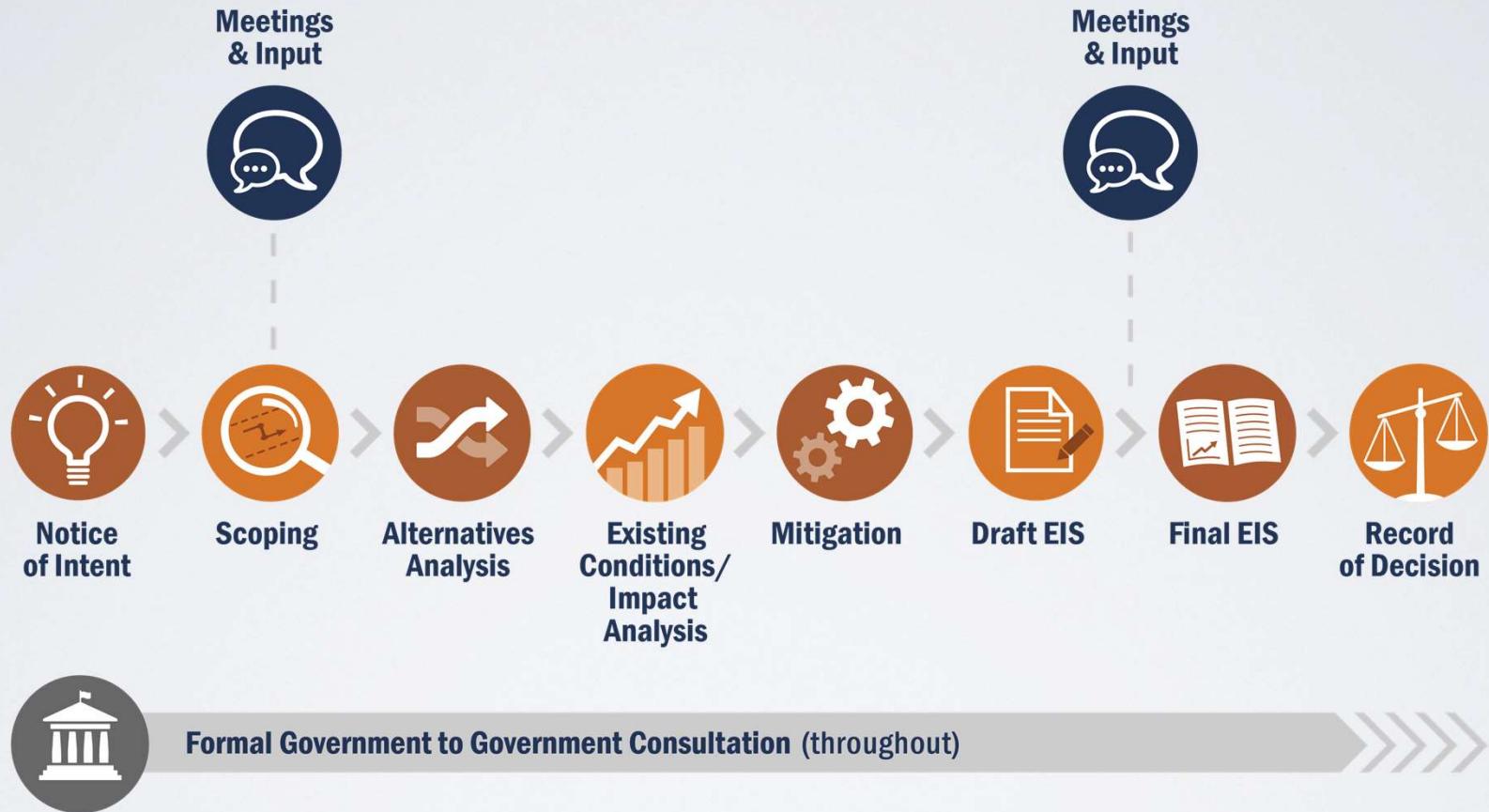




# Permitting Process



# NEPA Process



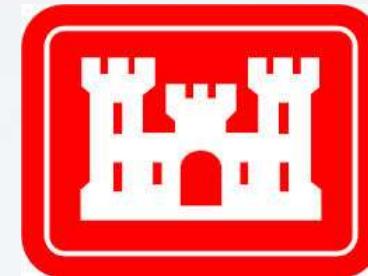


# Ambler Permitting Process

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Application submitted to federal agencies:

- BLM – **NEPA and Title XI of ANILCA**
- NPS/FHWA – **ANILCA Section 201(4) (Title II)**
- USACE – wetland permits
- USCG – bridge permits





# ANILCA Title II

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- Alaska National Interest Land Conservation Act (ANILCA) Section 201(4)
  - Creates a Unique process for this project
  - Secretaries of Interior and Transportation prepare an Environmental & Economic Analysis (non-NEPA analysis)-not subject to Judicial Review
    - Evaluate impacts on wildlife, fish, habitat, rural and traditional lifestyles, including subsistence – for selecting preferred route as mandated by Congress



# Agency Roles in Review Process

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- AIDEA
  - Applicant for ROW under ANILCA Title II and Title XI
- National Park Service
  - Prepares Environmental & Economic Analysis for ROW through Gates of the Arctic Preserve (GANPP)
  - Determines route through GANPP
  - Issues ROW on NPS-managed lands
- Bureau of Land Management
  - Prepares EIS on ROW application
  - Issues ROW on BLM-managed lands



# BLM EIS Schedule

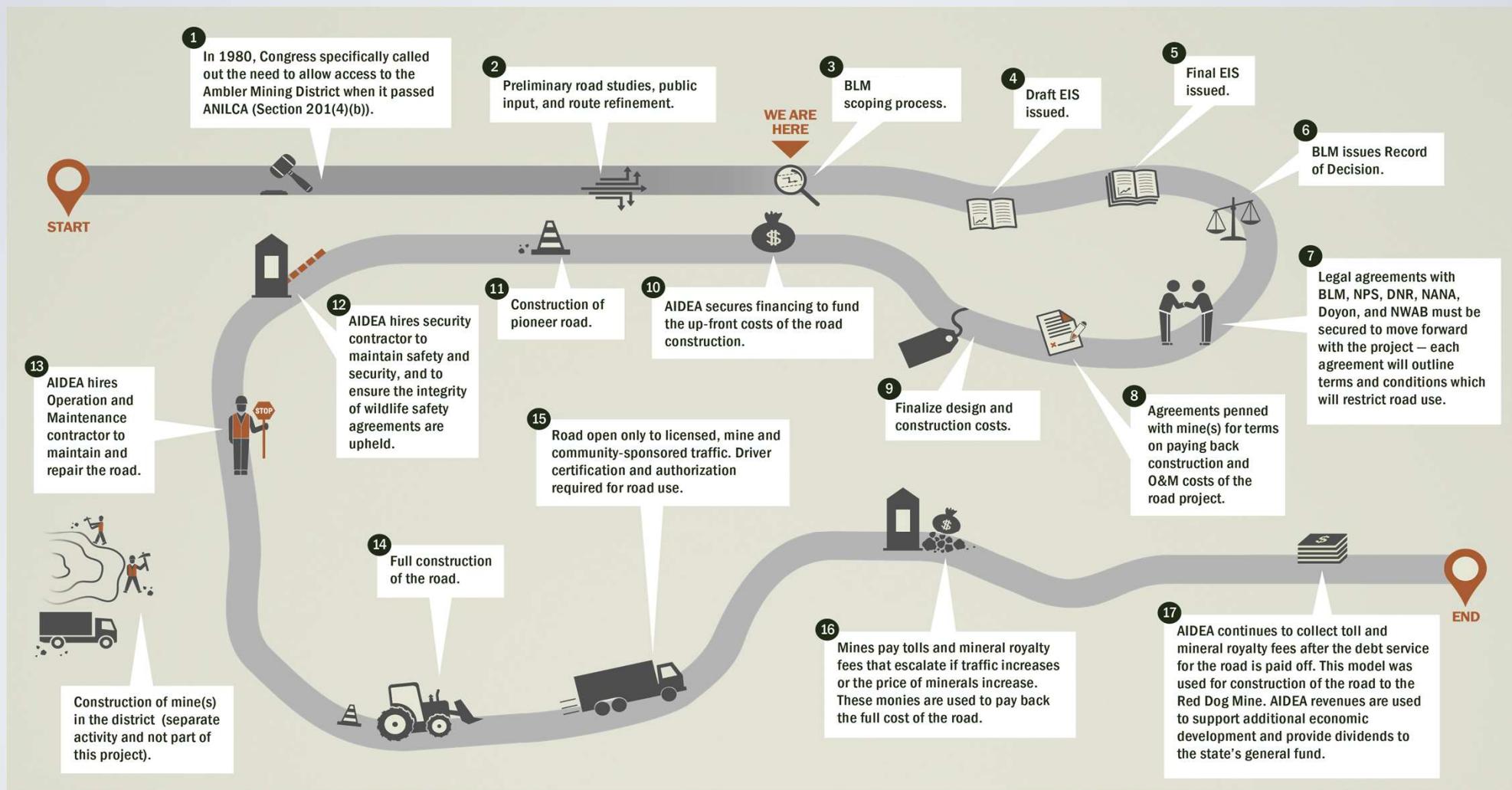
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- NEPA Scoping finished in Jan 2018
- Scoping Summary Report Due End of April
- Draft EIS anticipated end of March 2019
- Final EIS anticipated end of December 2019



# Next Steps

# Project Process





# Required Approvals (post EIS)

- Legislative Authorization for Bonds > \$25 million
- Approval by Regional Resource Advisory Council (Governor Appointed)
- Rights of Way with Private Land Owners
- AIDEA Board – Separate Project and Bond Authorizations

# Questions/Discussion





# Appendix

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- AMDIAP Supporting Information
- AIDEA Overview



# AMDIAP Supporting Information

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# AIDEA's Proposed Ambler Access

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- 200+/- miles long industrial road (restricted access)
- Four maintenance stations
- Generalized land status\*
  - 128+/- miles on State land
  - 51+/- miles on federal (NPS/BLM) land
  - 32+/- miles on ANCSA corporation lands



# AIDEA's Proposed Ambler Access

- Phased Development as demand increases
  - Phase I – single-lane, seasonal road (approx. \$280MM): Estimates Prepared in November 2017
  - Phase II – single-lane, year-round road (approx. additional \$40MM)
  - Phase III – two-lane, year-round road (approx. additional \$60MM)



# Ambler Access Financing

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- AIDEA will finance project in partnership with private entities and may issue AIDEA bonds for the Project.
- AIDEA will charge fees for road use that will pay for the financing as is the case with the DeLong Mountain Transportation System (DMTS) that supports Red Dog Mine
- AIDEA would hold rights-of-way
- AIDEA would partner with others for final design, construction, operation and maintenance
- AIDEA would be repaid with use fees from permitted users (similar to Red Dog Road)



# Ambler Access Benefits

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- Road construction would create an annual average of 486 jobs over construction period
- Road operations would create up to 68 full-time jobs
- Mine construction and operations would create more jobs
  - Mine construction (4 mines) 5,933 direct jobs with \$457.4M/yr in wages
  - Mine operations (4 mines) 1,534 direct jobs with \$164.2M/yr in wages
- Government Revenues
  - \$261M in mining license tax revenues to state
  - \$357M in corporate income taxes to state
  - \$78M in production royalties to state
  - \$6.5M in PILT to NWAB per mine



# Community Infrastructure Development

- Road Operations will require fiber optic as part of the project
- AIDEA has entered into an agreement with BLM that it can amend its ANILCA SF 299 Right-of-Way Application to include broadband as part of the road
- AIDEA has contracted with GCI to provide DOWL with preliminary plans for a fiber optic system that would monitor road traffic and provide communications for the Project
- Once this fiber optic utilidor is constructed as part of the road, service could also be provided to nearby communities and to the mines for use in their operations



# Community Use of the Project

- Potential for lower transportation costs for food, fuel and other goods
- Project would use same methods as on the DeLong Mountain Transportation System (DMTS) to bring in fuel and supplies along the road that are then transported to communities
- There will also be opportunities for communities/individuals to create businesses that could make use of the road if they obtain a use permit
- Construction supplies for a school for example could be brought in on the road and then transported by an ice road to a nearby community
- Opportunities for other services will be made available by the presence of the fiber optic utilidor in the project
- This could include broadband for a school or clinic



# Ambler Mining District History

- Kennecott Resources discovered copper at Bornite in 1957
- Alaska National Interest Lands Conservation Act (ANILCA) Creation of the “Boot” in 1980
  - Conservation advocates pushed for including Ambler Mining District in Conservation System Unit and “boot” added to Gates of the Arctic National Park and Preserve to block access
  - State of Alaska pushed for access to Ambler Mining District and State-selected lands
  - ANILCA signed in 1980: included Preserve in Gates of the Arctic but specifically granted an access corridor from Dalton to the Ambler Mining District



# What AIDEA Has Learned

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- As the proponent of the Project, AIDEA does not participate in the Scoping Meetings nor is it a Cooperating Agency—that role is for the Department of Natural Resources
- AIDEA does monitor the process
- There are concerns about subsistence and cultural resources and traditional values
- AIDEA's proposed route is one chosen to minimize impact on wildlife (these studies were completed by independent third parties, such as the National Park Service)
- The road is designed for controlled restricted access.
- The SF 299 Application requests a restricted right-of-way from BLM
- The road would be financed by bonds which would have covenants stating the road would be for industrial access only



# After the EIS and EEA

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- Final Design, Finalize Construction Cost and Permitting
- Financing and Capital Identified
- Right-of-way acquisition from non-federal entities: DNR, Doyon and NANA would all have to allow the road to cross their land
- Construction of Phase I (2 years estimated)
- Construction of additional phases as mining activity increases and demand supports expansion



# AIDEA Overview

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## Mission



To advance economic growth and diversification in Alaska by providing various means of financing and investment

AIDEA fulfills its mission by providing access to affordable, long-term asset financing for Alaska businesses and projects



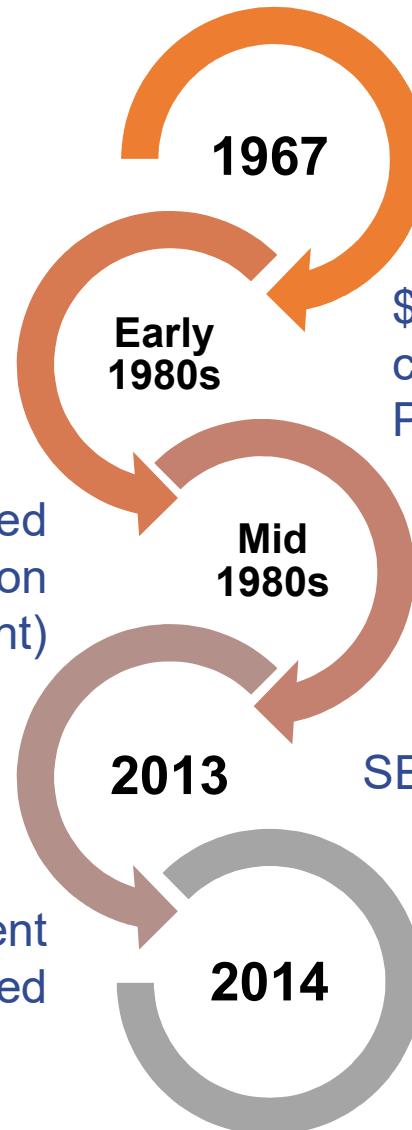
# History



AIDEA was created by Legislature

\$143.5 million in cash and loans funded the DeLong Mountain Transportation System (Project Development)

Arctic Infrastructure Development program established



\$189 million in cash and loans capitalized the Loan Participation Program

SETS program established



- Development Finance Authority created as a public corporation of the State of Alaska in 1967
- Semi-independent entity, overseen by a seven member Board
- AIDEA is self funded and receives no General Fund assistance
- Provides an annual dividend back to the State of Alaska
  - Total since 1997 > \$390 million
- Revolving Fund  $\approx$  \$1.4 billion in assets.
- Standard & Poor's AA+ credit rating for Revolving Fund



# State-Level View



- AIDEA is one tool in the State's economic development tool box
- Provides an interface between industry, federal and state agencies, local government, financial institutions, and project developers
- Facilitates bringing interested parties together
- An equal partner in projects with private sector developers and their financial partners
- Secures and deploys capital in the interest of building Alaska's economic capacity



# Role in Economic Development



- Objective vetting agent in the development of Alaska's businesses and infrastructure
- Does not pick winners and losers but has identified strategic sectors that may take priority
- Finances projects that have an economic benefit to the state and provide job opportunities for Alaskans
- Prudent use of public dollars for economic growth, without the use of grants or incentives





## Shareholders

- Population of Alaska 735,000



## Shareholder Representatives

- Governor of Alaska
- Alaska Legislature



## AIDEA Board

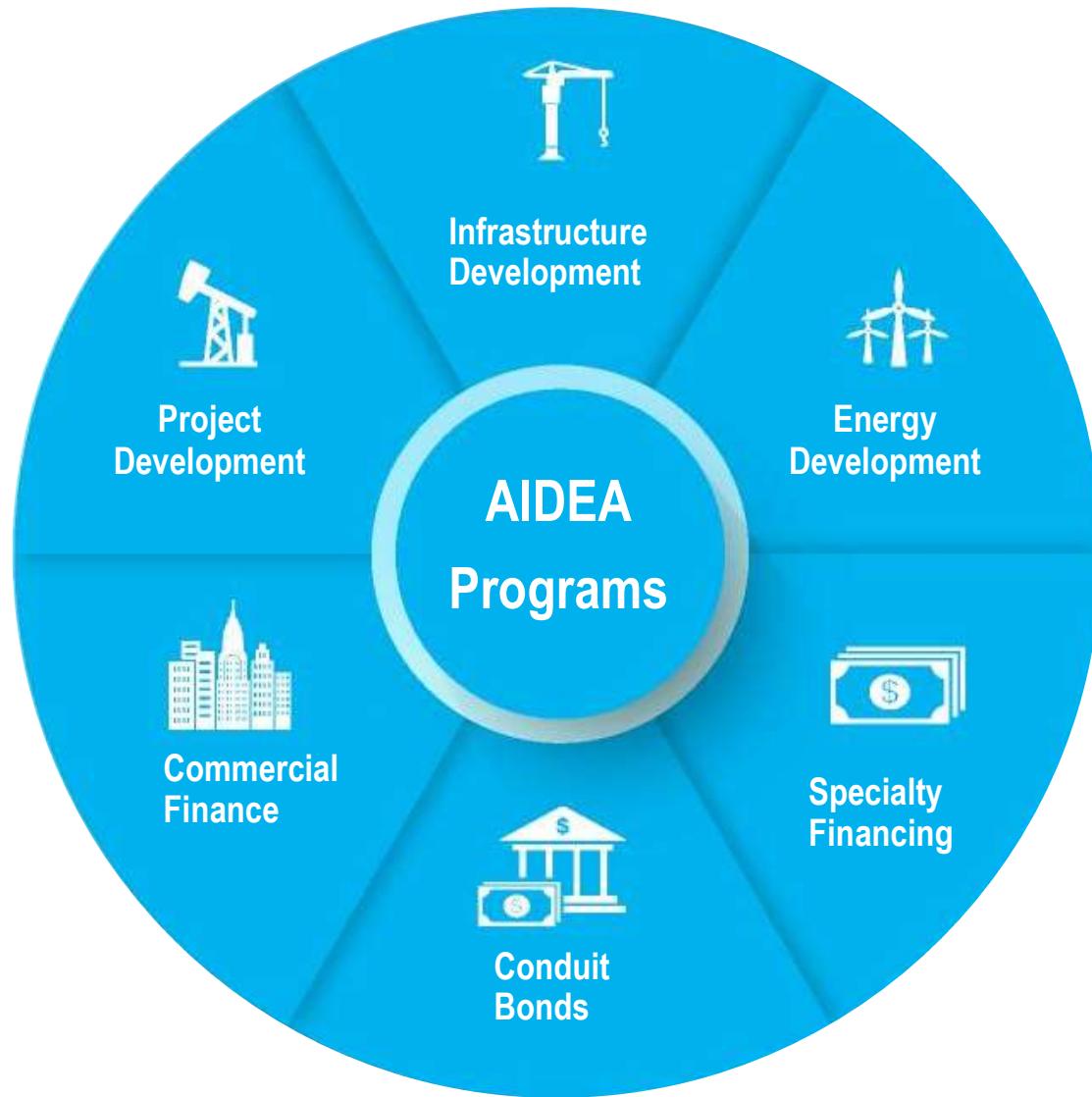
- Commissioner - Dept. of Revenue
- Commissioner - DCED
- 5 successful Alaska business people



## AIDEA Staff

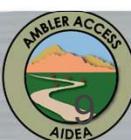
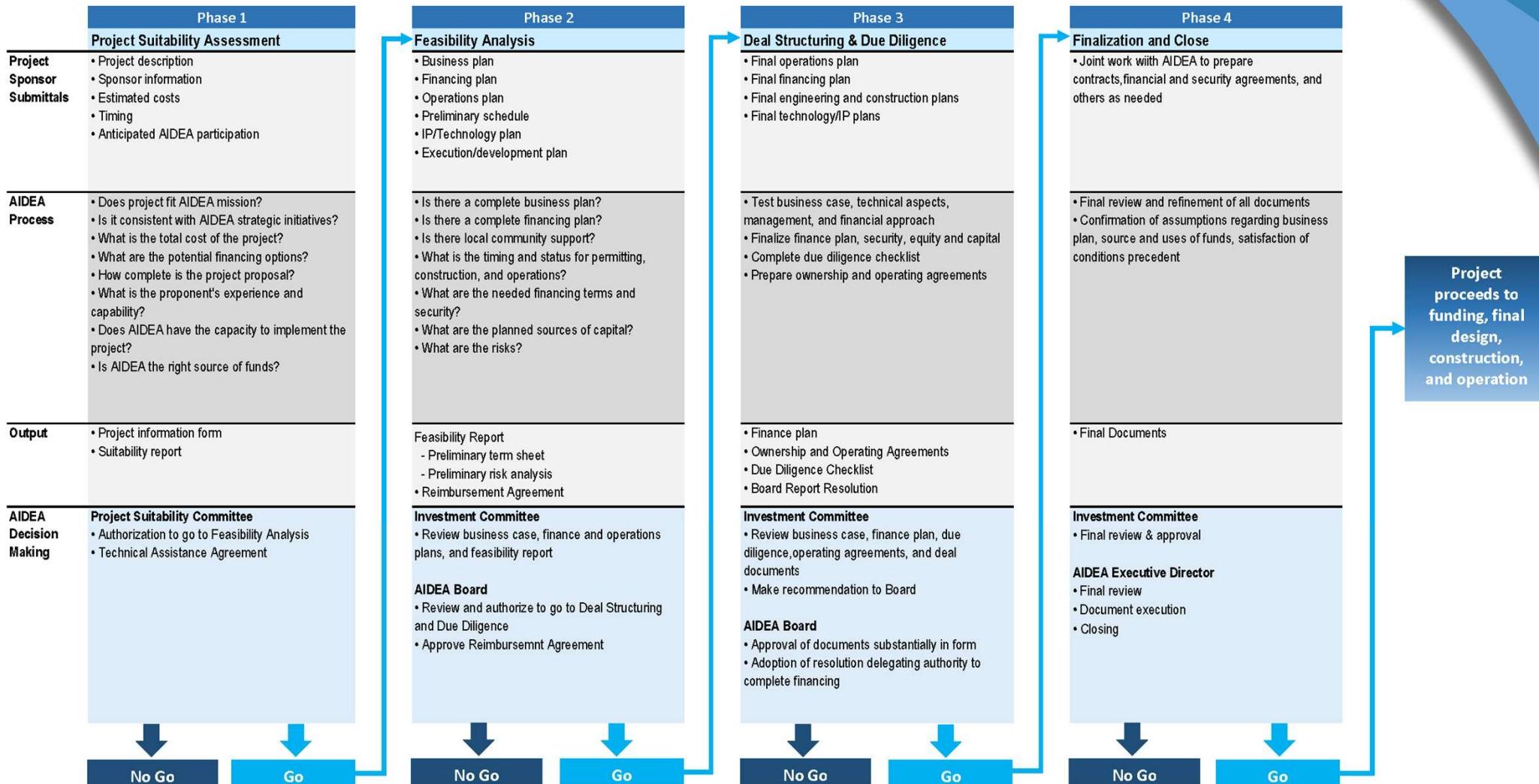


# Well Stocked Tool Box

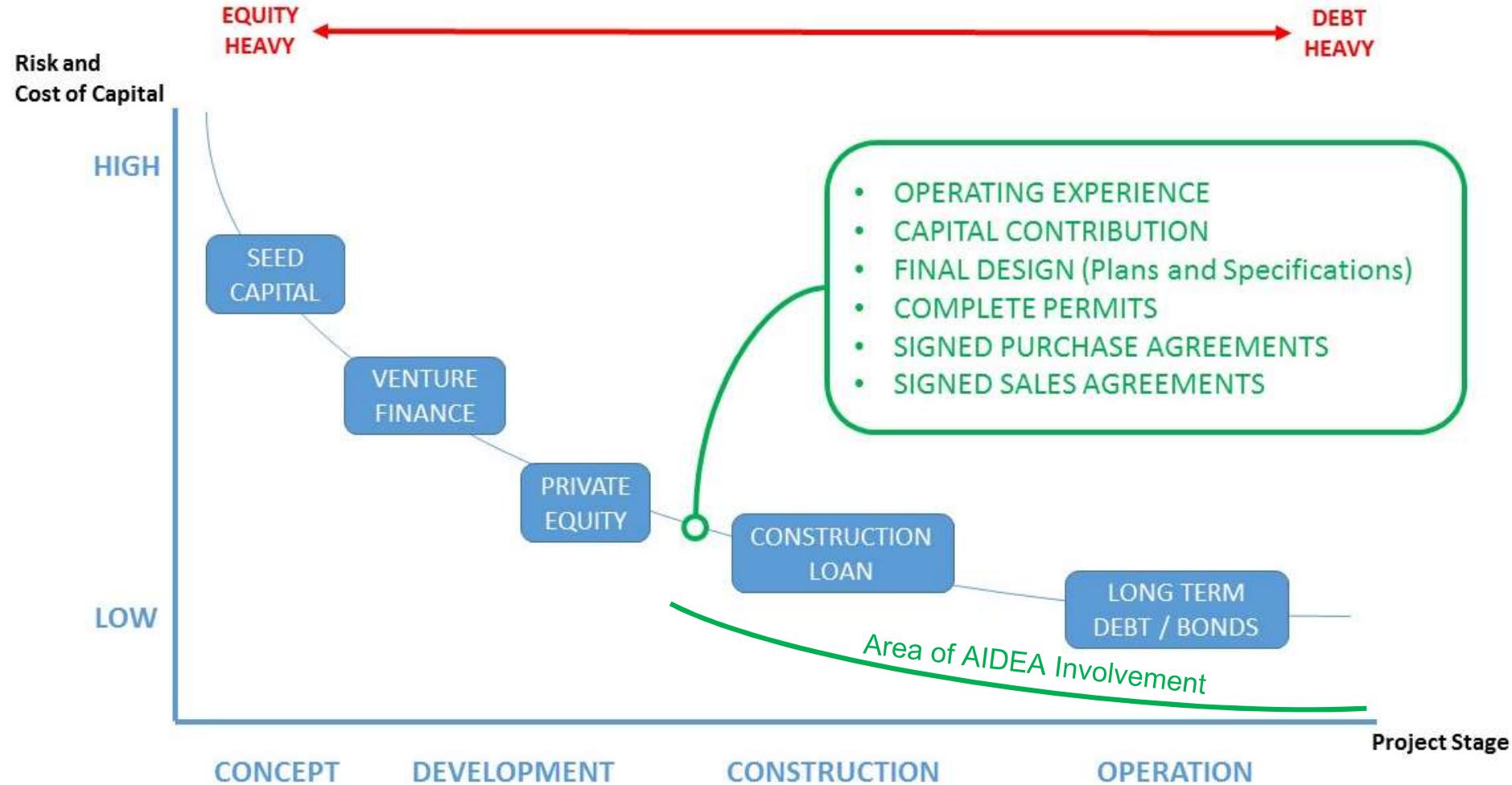




# Analysis & Decision-Making



# AIDEA - Best Fit Projects



1. Operating Experience: The developer has a demonstrated background and history in successfully building and operating the type of project for which they are seeking financing from AIDEA.
2. Capital Contribution: The developer will invest funds in tandem with AIDEA for the construction of the project.
3. Plans and Designs: The developer has complete plans, designs, and specifications for the project they wish to develop.
4. Permits: The developer has the necessary permits for the project.
5. Purchase Contracts: The developer has access to key materials and equipment.
6. Sales Contracts: The developer has revenues under contract from credible entities.