

AGDC has been asked to respond to the presentation given by Pedro Van Meurs to the Alaska Legislature on December 6, 2011. Specifically, the Committee has expressed an interest in the feasibility of the ASAP project given Mr. Van Meurs' findings as presented.

First, it is important to remember that neither AGDC nor Mr. van Meurs will determine the feasibility of any project. That is a question that can only be answered by the presence or lack of customers willing to participate in the project at the proposed tariffs. It is for this reason that AGDC has emphasized the importance of a successful open season in the decision to sanction this project. Without customers, there is no reason to build a pipeline.

That said, there are some specific issues that preclude AGDC from performing the type of detailed analysis that would be required to compare the findings listed in the report to the data studied and analyzed by AGDC in preparation of its report:

The assumptions used by Mr. van Meurs are not apparent from the conclusions he states. Without assumptions, an analysis is impossible.

Mr. van Meurs appears to have considered only the potential projects designed to monetize ANS gas. The impetus for ASAP was not one for export, but rather to meet in-state gas needs of Alaskans. The export component was considered by AGDC as a means for increasing throughput and thereby lowering the overall tariff. Again, since AGDC cannot determine what users will materialize, this was an assumption AGDC made. That assumption was validated by the presence of an anchor tenant in AGDC's Expression of Interest held in May, 2011.

The report does not indicate any specific economics on the ASAP project, and in fact appears to focus on export to Asia--something considered as a supplemental business to the main purpose of ASAP.

The report indicates the construction of a large greenfield LNG facility (new construction), while the AGDC report assumed existing facilities would continue to be utilized.

Mr. van Meurs indicated that a much smaller pipeline to Valdez or Kenai (presumably the ASAP line) would need to be heavily subsidized. Again, the market will dictate what if any subsidy might be required for the ASAP project.

Mr. van Meurs indicated that an LNG export scenario would likely require a lower "Government Take" than currently provided by ACES. This is a policy decision that only the Legislature and Governor can make.