

Sponsor Statement

HB 288

“An Act creating the Arctic Infrastructure and development program and fund in the Alaska Industrial Development and Export Authority”

Globally, all eyes are on the Arctic. The World Economic Forum has recently identified Arctic Infrastructure development as one of the top Four (4) challenges facing the region. Alaska’s future is in the Arctic, and in order for Alaskans to capitalize on the incredible opportunities, and overcome the significant challenges, that this region presents we must begin to build infrastructure for our future.

Aside from a few areas in Norway and the Russian Federation the Arctic as a whole remains vastly underserved by transportation, ports, communication, emergency response, defense and other critical infrastructure. For further development to occur, both public and private interests must come together to boost the investment in the Arctic.

For these reasons I have introduced House Bill 288, *Arctic Infrastructure Development Fund* (“AIDF”). HB 288 expands AIDEA’s tool bag by extending the same authority for loans, loan guarantees, bonds and bond guarantees that it currently utilizes in the energy sector via the SETS fund (AS 44.88.650- 690) in order to develop Infrastructure in the Arctic. AIDEA used SETS to facilitate the financing of the Interior Energy Project. This tool helps to create the public-private partnerships that are needed to encourage large investment in capital intensive infrastructure.

House Bill 288 extends AIDEA’s existing power to finance, or facilitate the financing of projects to the realm of Arctic Infrastructure by granting the Authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.
2. Defer principle payments and capitalize interest.
3. Offer financing terms of up to 30 years.
4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance Arctic infrastructure projects.

These powers already provide flexible terms that can reduce the ultimate cost of energy (via the SETS program) to consumers, and if it can work in the energy realm, it can work for infrastructure. However, HB 288 also requires legislative approval for investments that are more than one-third of a project’s capital costs or if a loan guarantee exceeds \$20 million. By subjecting certain investments to legislative approval, HB 288 maintains an appropriate level of due diligence for projects.

By making financing available we can empower communities and attract a global pool of investment that is an alternative to the traditional grant model that often underfunds projects and leads to delays. Relying on credit also ensures that sponsors have some skin in the game and a stake in the project’s success. Most importantly, we expand the arena of where Alaskan assets are working in order to grow our own economy. Currently, many of Alaska’s savings accounts are invested in stocks and bonds that drive economic activity outside of Alaska. HB 288 suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks for development, but as investments for our future in Arctic Infrastructure.

For the purposes of this Act, I propose that this program and fund focus infrastructure development in the geographical definition of the Arctic as laid out in Arctic Research and Policy Act (amended 1990). That definition includes the area of the State of Alaska north of the Arctic Circle, north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers, all contiguous seas, including the Arctic Ocean, and the Beaufort, Bering, and Chukchi Seas, and the Aleutian chain.

With AIDF I am proposing that the State expand AIDEA’s existing authority to finance, or facilitate the financing of, Arctic Infrastructure.