

# ALASKA NORTH SLOPE GAS COMMERCIALIZATION



## **Joint Resources Committee**

Anchorage, Alaska

September 29, 2014

## **Joe Balash, Commissioner**

*Alaska Department of Natural Resources*

*[www.dnr.alaska.gov](http://www.dnr.alaska.gov)*

## **Angela Rodell, Commissioner**

**Michael Pawlowski, Deputy Commissioner**

*Alaska Department of Revenue*

*[www.dor.alaska.gov](http://www.dor.alaska.gov)*

# COMMERCIALIZING ALASKA'S NORTH SLOPE GAS - *PROGRESS*

## 2014 Accomplishments

- In January, the State signed the Heads of Agreement (HOA), which implements the findings of the Royalty Study and describes the roadmap to advance the AKLNG project through a phased process.
- The Alaska Legislature authorized State participation in the AKLNG Project with passage of Senate Bill 138 (SB138) in April and Governor Parnell signs SB 138 into law on May 8.
- The Alaska Gasline Inducement Act (AGIA) license is terminated and the State signs a Precedent Agreement with TransCanada on June 9.
- The AKLNG Parties agree to enter into pre-Front End Engineering & Design (pre-FEED) on June 30.
- On July 18, ExxonMobil, BP, and ConocoPhillips submitted an application to the U.S. Department of Energy for permission to export LNG for 30 years.
- The AKLNG Project submitted a formal request to the Federal Energy Regulatory Commission (FERC) to begin the pre-file process, which triggers FERC's National Environmental Policy Act permitting process on September 5.
- The State of Alaska has been engaged in the development of confidentiality agreements with other project sponsors and internal protocols in order to initiate confidentiality agreements with the Legislature. Additionally, the State has been recruiting subject matter experts to assist in its efforts related to the Project.

# STATE OF ALASKA'S ALASKA LNG TEAM

The Departments of Natural Resources (DNR), Revenue (DOR) and Law (DOL) are utilizing existing staff to assist the subject matter experts hired as part of the executive team.

- 10 staff from the DNR's Division of Oil & Gas are assisting in efforts to support lease modification, gas offtake and balancing agreements, royalty in-kind determinations and disposition arrangements for State LNG.
- Black and Veatch continues to provide technical and commercial support under contract with DNR.
- 16 staff from DOR are assisting in efforts related to upstream work, economic analysis and financing.
- GaffneyCline is supporting State efforts under contract with DOR.
- Greenberg Traurig continues to provide commercial legal expertise under contract with Department of Law.

# STATE OF ALASKA'S ALASKA LNG EXECUTIVE TEAM

## AGDC Vice President, Alaska LNG:

### Leslie “Fritz” Krusen



Fritz Krusen will be joining AGDC on October 1st, 2014 following a 36 year career with ConocoPhillips, most recently as Chief Facilities Engineer in their Houston office. He will have primary technical and project management for AGDC's participation in the Alaska LNG export project.

- During his career, Krusen held a variety of engineering, technical and project management positions both domestically and internationally.
- He brings 25 years of specific LNG experience to the position, including six years as head engineer at Conoco's Kenai LNG plant and four years as Project Manager for Alaska Gas Commercialization.
- Krusen holds a Bachelor of Science in Electrical Engineering from the University of Kansas. He has three adult children, including two who reside in Anchorage.

# STATE OF ALASKA'S ALASKA LNG EXECUTIVE TEAM

## AKLNG Executive Upstream Manager:

**Steve Wright**



Steve Wright has 34 years Major Capital Project experience with Chevron, including 12 years as Senior Project Management Executive.

- Wright has 17 years of Alaska energy development experience on the North Slope and in the Cook Inlet.
- He spent over 10 years focusing on North Slope gas commercialization including hydrocarbon resource evaluations, gas field development planning and frequent, direct interface with BP, ExxonMobil and ConocoPhillips.
- Specialized skills include:
  - Quantitative decision analysis for energy investments
  - Risk and uncertainty assessment and mitigation planning
  - Proactive, consensus-building leadership

# STATE OF ALASKA'S ALASKA LNG EXECUTIVE TEAM

**AKLNG Executive  
Midstream Manager:**

**David de Gruyter**

David de Gruyter, a former and recently repatriated Alaskan, has a wide breadth of experience in pipeline management in the United States and abroad.

- De Gruyter returns to Alaska from Oklahoma, where he had been working as the project manager on TransCanada's Keystone XL Pipeline responsible for U.S. Gulf Coast facilities construction.
- Previous to that, he played a leadership role in pipeline projects located in Columbia, South America, Louisiana and Alaska.
- While based in Alaska, De Gruyter worked on the TAPS Right-of-Way Renewal Project on behalf of the TAPS owners, and before that, he was a business unit leader for BP Pipelines (Alaska), where he worked on issues involving the company's common carrier pipeline business.

# STATE OF ALASKA'S ALASKA LNG EXECUTIVE TEAM

## AKLNG Executive Marketing Manager:

**Audie P. Setters**



Audie P. Setters took early retirement from Chevron in July 2014 after 34 years with Chevron and Texaco. During his career with Chevron, Audie was involved in the development of 3 greenfield LNG projects: Gorgon LNG, Wheatstone LNG, and Angola LNG.

- Prior to leaving Chevron, Setters was vice president and general manager of Business Development for Chevron Asia Pacific Exploration and Production Company. In this capacity since 2008, Setters managed business development activities for Chevron's upstream division in the Asia-Pacific region.
- Prior to that role, Setters was vice president of LNG Marketing and Trading for Chevron Global from January 2006.
- He also served as vice president of International Marketing and Business Development for Chevron Global Gas from July 2003.

# STATE OF ALASKA'S ALASKA LNG EXECUTIVE TEAM

## AKLNG Executive Commercial Manager:

**Steve Swaffield**



Steve Swaffield is an independent consultant with 30 years experience in and around the energy industry.

- Most recently, Swaffield acted as President of BG Canada, leading the development of the Prince Rupert LNG project.
- He has worked on several international assignments, including Project Director on the first train of Atlantic LNG in Trinidad and Tobago.
- Swaffield also spent 12 years in the investment banking industry and served as managing director and partner for the Royal Bank of Canada, responsible for raising capital and M&A advice to client corporations, primarily in the energy industry.
- Swaffield is a qualified corporate director and sits on the board of a handful of Canadian companies and organizations.

# DEPARTMENT OF REVENUE UPDATE

## Municipal Advisory Gas Project Review Board:

- July: Governor Parnell appoints Mayors Charlotte Brower, Luke Hopkins, Clay Walker, Larry DeVilbiss, Dan Sullivan, and Mike Navarre to represent each of the boroughs directly impacted by the proposed natural gas pipeline. In addition, Mayor Reggie Joule, Robert Venables, and Robert Bartholomew were named to serve in public seats. Commissioner Angela Rodell was named the Board Chair, with Commissioners Joseph Balash and Susan Bell as additional members.
- First Recommendations due December 15, 2014
- Website:  
<http://dor.alaska.gov/MunicipalAdvisoryGasProjectReviewBoard.aspx>

## Other Activities

- Financing Plan – interim draft report due the first day of session
- Financial Consultants hired – Lazard
- Independent Registered Municipal Advisor (IRMA) – FirstSouthwest

# COMMERCIALIZING ALASKA'S NORTH SLOPE GAS - ASIA

## Tokyo, Japan

- On September 8, the State of Alaska signed a Memorandum of Cooperation (MOC) with Japan's Ministry of Economy, Trade, and Industry (METI).
- The team also met with the Japan Bank for International Cooperation (JBIC) and the Japan Oil, Gas and Metals National Corporation (JOGMEC) as well as several major Japanese LNG consumers.
- In addition, the State presented to 15 potential buyers at a forum on the Alaska LNG Project and had the opportunity to interact with these interested parties.

### NIKKEI ASIAN REVIEW

September 8, 2014 12:22 am JST

#### Japan to help its companies procure LNG from Alaska

TOKYO -- Japan's Ministry of Economy, Trade and Industry will assist domestic businesses in importing natural gas produced in Alaska, hoping to secure a relatively low-priced fuel from a region not susceptible to geopolitical risks.

Global energy producers, including Exxon Mobil and BP, are pursuing a natural gas project in northern Alaska, with a goal of starting production in 2023-24.

The ministry will sign a memorandum of understanding with Alaska's energy authority on Monday to ensure Japanese electricity and gas utilities can obtain favorable terms, including prices and reselling rules, in importing output from the project.

In the document, the ministry will seek progress reports on the development project in exchange for information regarding the restart of Japan's nuclear power plants, which affects liquefied natural gas prices.

The developers are planning to ship natural gas produced in northern Alaska to the southern part of the state through a pipeline and then liquefy it. The \$40 billion project is expected to produce up to 20 million tons a year, more than 20% of Japan's total annual procurement.

Alaskan-produced LNG can be shipped to Japan in about a week, half the time needed to transport LNG from the Middle East, which provides 30% of Japan's annual purchases. Switching to the Alaskan fuel will slash costs by 10% by reducing transportation expenses. Japan is also scheduled to start importing shale gas produced in the continental U.S. in 2016.

The ministry plans to offer financial assistance to Japanese trading houses or engineering firms if they participate in the construction of LNG facilities in Alaska. It will also consider using programs that allow the government to guarantee up to 75% of borrowing for gas procurement projects or to shoulder half of investment in such projects.

(Nikkei)

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# COMMERCIALIZING ALASKA'S NORTH SLOPE GAS – ASIA

## Shenzen, China

- **The State delegation also visited the Guangdong Dapeng LNG (GDLNG) Terminal, the first LNG import pilot project in China.**
  - BP and the Chinese National Offshore Oil Corporation (CNOOC) are the primary shareholders who own and operate the LNG regasification terminal and associated facilities, which includes a trucking station and pipeline.
  - After international bidding, GDLNG chose Northwest Shell Australia Company Ltd. as the gas supplier and awarded it a 25 year contract securing an annual gas supply of 3.7 million tons.

## Seoul, Korea

- **The delegation met with Korea Gas and the Ministry of Trade, Industry and Energy(MOTIE).**
  - Korea Gas is the world's single largest LNG buyer.
  - MOTIE is responsible for setting policies related to commerce, investment, industry, and energy. MOTIE anticipates releasing their LNG demand forecast in early to mid-2015.