Alaska LNG

Project Update

Senate Resources Committee

February 18, 2015

Marty Rutherford – Department of Natural Resources
Randy Hoffbeck and Dona Keppers – Department of Revenue
Dan Fauske – AGDC
Vincent Lee – TransCanada
Bill McMahon – ExxonMobil
Dave Van Tuyl – BP
Darren Meznarich – ConocoPhillips

Alaska LNG Project Arrangements

Sponsor Group

- Dept. of Nat. Resources
- Dept. of Revenue
- AGDC
- TransCanada
- ConocoPhillips
- BP
- ExxonMobil

Sponsor Group

- Parties with a stake in advancing Alaska gas development
- Meets regularly to facilitate progress
- Concerned with all aspects of Alaska LNG Project

Alaska LNG Project Arrangements

Sponsor Group	Dept. of Nat. Resources Dept. of Revenue	AGDC TransCanada	ConocoPhillips BP ExxonMobil
Joint Venture Parties Project Pre-FEED FERC Applicants Group		AGDC TransCanada	ConocoPhillips BP ExxonMobil
Alaska LNG Project, LLC (DOE Applicant)[1]		Future parties	ConocoPhillips BP ExxonMobil

[1] DOE application also covers any potential State RIK and TAG volumes

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The Administration represents the State of Alaska

- Department of Natural Resources (DNR) administers the State's royalty interest and pipeline rights of way
- Department of Revenue (DOR) administers regulation / collection of taxes
- Depending on State's election to take royalty in kind (RIK) and election by ExxonMobil, BP and ConocoPhillips for the State to take production Tax as Gas (TAG), State could receive about 25% of resulting gas production
- DNR/DOR also represent other State interests as resource owner, potential shipper and sovereign, including fiscal issues, security of gas supply (in the event of RIK and TAG), and facilitating expansion and third-party access

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For Pre-FEED, AGDC and TransCanada represent the State of Alaska's infrastructure interests in the Project

- AGDC represents the State's ownership interest in LNG Plant
- TransCanada represents the State's ownership interest in the pipeline and Gas Treatment Plant (GTP)

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ExxonMobil, BP and ConocoPhillips hold rights to produce natural gas from Prudhoe Bay Unit and Point Thomson Unit

- Working how to commercialize those resources
- Each represents their respective companies and shareholders in efforts to commercialize ANS natural gas, including ownership in the new Alaska LNG Project facilities

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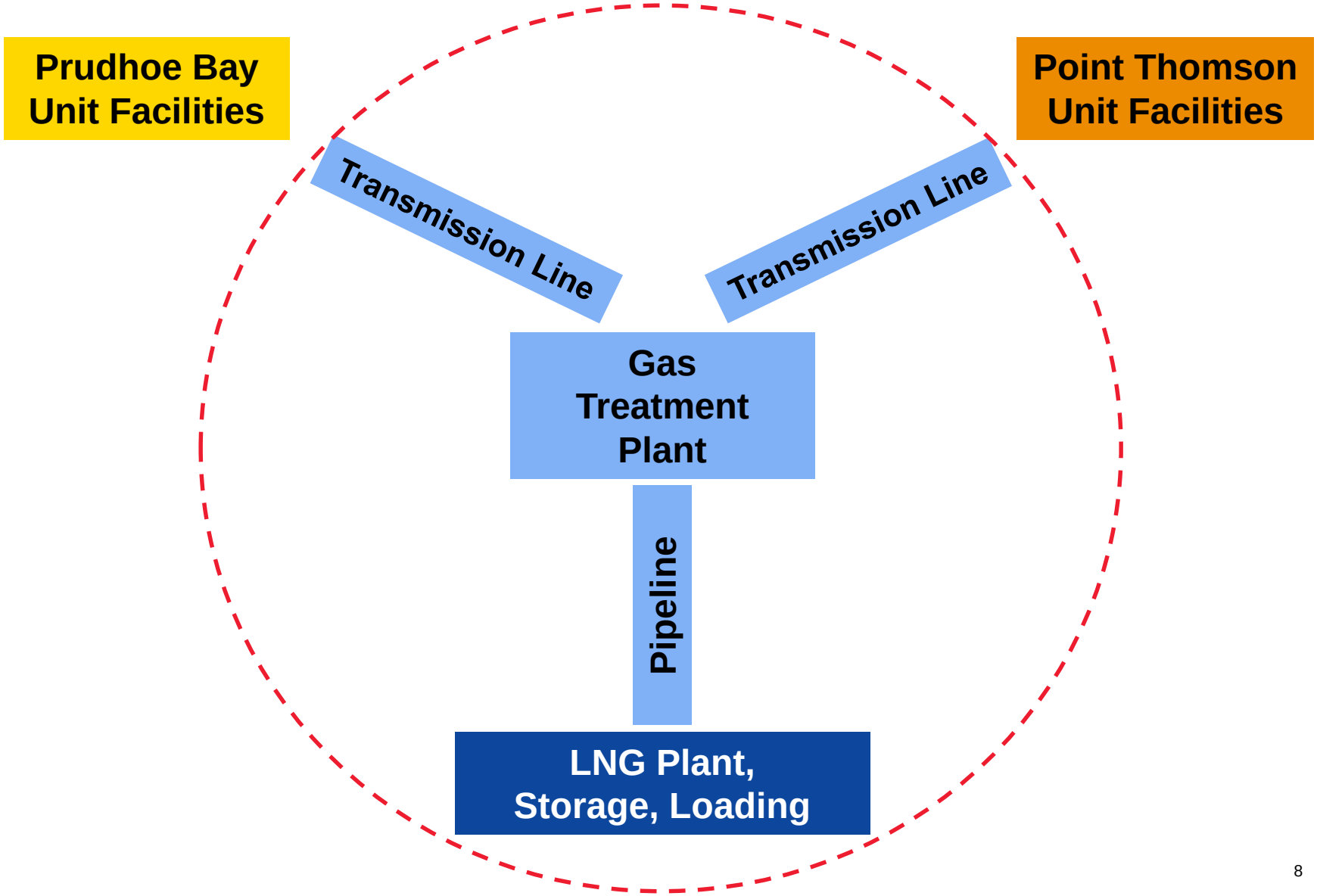
AKLNG Project Pre-FEED

- Integrated team includes experienced personnel from ExxonMobil (Lead), TransCanada, BP and ConocoPhillips
- Currently in Pre-FEED (Pre Front End Engineering Design)
- Advancing engineering of AKLNG Project facilities
- Drafting project execution plans
- Refining overall cost and schedules
- Developing environmental permitting applications
- Cooperation agreement with AGDC on field data collection

Alaska LNG Project Facilities



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Project Work

- AKLNG Project Pre-FEED

Other Work

- Gas Production
- Commercial
- Fiscal
- Regulatory
- External Affairs / Government Relations

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AKLNG Project Pre-FEED

Gas Production

- Preparations for commercial natural gas production are underway at both Point Thomson Unit (PTU) and Prudhoe Bay Unit (PBU)
- Significant natural gas development required at PTU including drilling and gas handling facilities
- PBU would also require some new facilities
- Working with AOGCC on gas offtake authorizations

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AKLNG Project Pre-FEED

Gas Production

Commercial

- SB 138 Lease Modifications to address RIK / RIV switching and PTU SSR / NPS leases
- DNR considering State Royalty in Kind
- Commercial foundation agreements among State, AGDC, TransCanada, ExxonMobil, BP and ConocoPhillips to be sufficiently completed before fiscal action by the Legislature
  - Governance for long term venture
  - Gas supply to Project
  - Gas / LNG liftings from Project
  - In-state gas
  - Expansion
  - Others
- Long-term Firm Transportation Services Agreement (FTSA) between TransCanada and State

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AKLNG Project Pre-FEED

Gas Production

Commercial

Fiscal

- Predictable and durable fiscal terms needed due to unprecedented scale, complexity and costs
- Also required to compete in global energy markets
- Fiscal terms are a key enabler for the Project, and also with LNG Buyers, lenders and investors
- Building on Jan 2014 HOA and SB 138
- Considering options to make terms predictable / durable and to address property taxes
  - Work products from MAGPRB important to finding lasting solutions
- Legislative review and approval will be needed

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- AKLNG Project Pre-FEED
- Gas Production
- Commercial
- Fiscal
- **Regulatory**

- DOE Export Authorization on track
- NEPA Pre-File process sets foundation for the Environmental Impact Statement (EIS)
  - First draft of Resource Reports submitted in February
  - Specific, anticipated project impacts and proposed mitigation measures will be included in second draft of Resource Reports
  - Two drafts of Resource Reports before final submission intended to facilitate stakeholder engagement

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AKLNG Project Pre-FEED

Gas Production

Commercial

Fiscal

Regulatory

External Affairs / Government Relations

- Facilitating public dialogue about the Alaska LNG Project
- Project of this magnitude / complexity cannot succeed without broad support

Deliverables to Support 2016 FEED Decision

AKLNG Project	• Pre-FEED Project Deliverables
Gas Production	• PBU / PTU Development Plans, AOGCC Offtake
Commercial	• Key Agreements (e.g., Lease Modifications, Governance, Gas Supply, FTSA)
Fiscal	• Property Tax, Royalty-in-Kind, Predictable / Durable Terms
Regulatory	• DOE Export Licenses, FERC NEPA progress
External Affairs / Government Relations	• Broad support for Project

Timeline

- Continuing to target FEED decision 2Q 2016; resourcing effort accordingly
- Planning for 90-day public review prior to formal legislative review
  - Certain agreements to be signed by State require approval of Legislature
- Given magnitude of FEED decision for each party, essential that time be taken to satisfactorily complete all deliverables