

Gas Fiscal Testimony to Senate Resource Committees

David Van Tuyl, BP

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Madam Chair, members of the committee, for the record my name is David Van Tuyl and I am Regional Manager for BP here in Alaska. I've been working for BP in Alaska for over 31 years, the last several of which have been dedicated to working to get Alaska's gas to market.

Now I have the privilege of working in my current roles on the joint fiscal team, and on the Management Committee of the Alaska LNG project effort.

I am very pleased to be here along with my colleagues to provide an update on the progress of the Alaska LNG project. The success of Alaska LNG is critical to BP's business here in Alaska, and it's also critical to the future of the State of Alaska and to so many Alaskans who will benefit, both directly and indirectly, from a successful project.

This past year, 2015, has been an important and very successful one for the Alaska LNG project. Alaska LNG continues to make progress towards becoming a reality, and I think it's worth taking a moment to reflect on some important achievements of this past year:

- In February, the project filed 12 draft resource reports with the Federal Energy Regulatory Commission (FERC), totalling over eight thousand pages of documentation.

- In March, the FERC issued a Notice of Intent to proceed with preparing an Environmental Impact Statement for the project, beginning a 9-month public consultation and commenting period.
- In May, the project received authorization from the Department of Energy to export up to 20 mmtpa of LNG to non free trade agreement countries, a huge message to the world and a major step forward for the project. The AK LNG project was able to “jump the queue” over other LNG projects also awaiting an export authorization, a feat we owe in large part to the hard work of our also the Alaska Federal delegation.
- In October, the Alaska Oil and Gas Conservation Commission increased the maximum allowable gas offtake rate from Prudhoe Bay to a level sufficient to support LNG export, and also authorized injection of CO2 into the main Prudhoe Bay reservoir. AOGCC also established a gas offtake rate at Point Thomson that is critical in supporting AK LNG. Those are authorizations we have never had before.
- In November, the State of Alaska agreed to acquire TransCanada’s 25% interest in the midstream portion of the project.
- In December, BP, ExxonMobil, ConocoPhillips and the State of Alaska approved the 2016 work program and budget, authorizing over \$200 million in spend to continue advancing the project.

- And as you just heard from Steve Butt, the Project Team is making good progress on the pre-FEED deliverables.

We also worked through a number of commercial issues during the course of 2015, and we continue to make progress on others:

- Beginning last February, we worked with the Administration to understand a bit more about the Administration's "Plan B", in the event that the Alaska LNG project was for whatever reason to not proceed, and the implications that "Plan B" had for our joint work so that we could continue working together on the Alaska LNG project.
- This past summer we responded both verbally and in writing to public notice of new confidentiality regulations proposed for AGDC, expressing our desire for terms facilitating AGDC's full and equal participation in the project, while also protecting the Project's competitive advantages.
- Throughout 2015, we have worked with the Administration in defining a property tax framework for the project, and that framework has been communicated through the MAGPRB process.
- We heard the Administration's desire to prioritize a withdrawal agreement, and BP successfully negotiated and executed a Gas Availability Agreement this past December, along with ConocoPhillips and the State of Alaska. BP also looks forward to continuing to work with the State as it desires to progress any other such agreements.

- We are also making progress on other commercial fronts, including support for the DNR in making its RIK election, defining fiscal terms for the project, working with the State on the manner in which in-state gas supply would be provided, and other commercial issues.

So while there is still much work to be done, we continue to make progress. We understand the Governor's recent statements about the need for additional progress. We agree.

Just as we said at our last Legislative update, the agreements we are actively negotiating are complex, and will impact this multi-billion dollar project that will span decades. Given the complicated issues we are working through and the fact that each of the parties in the negotiations has its own needs and concerns, it shouldn't surprise you that the negotiations can be difficult. Last time we spoke about hitting speed bumps along the way as an encouraging sign that we're tackling the tough issues and still moving forward. That continues to be the case.

BP desires to get these agreements done as soon as possible, but we also recognize that it is essential to ALL parties that these agreements are done well. BP is committed, just as we have been throughout this process, to working out our remaining issues as quickly and as fairly as possible.

We are encouraged that the project continues to make real, tangible progress, as measured by those key external milestones I mentioned.

BP remains actively engaged to continue progressing the Alaska LNG project, both with the technical work and the associated commercial work.

Given the current economic environment, 2016 looks to be a challenging year for all of us. We at BP, and we as Alaskans, know what it means to face challenges. The best way we have found is to do so together. That is the path that was envisioned in the January 2014 Heads of Agreement, it is the path that was forged by this Legislature with the passage of SB-138, and BP remains committed to progressing in an aligned way forward on Alaska LNG.

Thank you, Madam Chair.