

Alaska LNG Project ExxonMobil Opening Remarks

House Resources Committee (100 pm) / Senate Resources Committee (330 pm) –
Wednesday, January 27, 2016 in Juneau, Alaska

- Co-Chair Nageak, Co-Chair Talerico and members of the House Resources Committee [Chair Giessel and members of the Senate Resources Committee] for the record, my name is Bill McMahon.
 - The Walker Administration, AGDC, ExxonMobil, BP, and ConocoPhillips appreciate the opportunity to provide you an update on the progress of the Alaska LNG Project today and we all look forward to answering your questions.
 - After the five parties at the table introduce themselves, I will present the package that is before you.
- I am a Sr. Commercial Advisor and have over 30 years of experience with ExxonMobil and have worked on commercializing Alaska natural gas since 1992.
 - ExxonMobil remains committed to AKLNG and believes this project is the best project for developing Alaska North Slope natural gas resources
 - ExxonMobil, as a lease holder of natural gas resources on the Alaska North Slope (ANS), has diligently undertaken various individual and joint activities to commercialize ANS natural gas.
- We are now pursuing the Alaska LNG Project (AKLNG) with the State of Alaska, represented by AGDC, and with BP and ConocoPhillips.
 - We are following the framework established by the State of Alaska in 2014 that was set out in the AKLNG HoA (January 2014) and SB138 (April 2014),
 - Under this agreed framework, AKLNG has achieved significant project and regulatory milestones, including progress on Pre-FEED activities, receipt of export authorizations for both Free Trade and Non-Free Trade Agreement countries, and submission of draft environmental filings to the FERC.
 - The Pre-FEED alone, with ExxonMobil as lead party, will cost over \$500 million with ExxonMobil providing about one-third of the funding and two-thirds of the project personnel.
 - ExxonMobil appreciates the work by the Alaska Legislature during the Special Session to position AGDC for an affirmative vote for the 2016 WP&B. This has allowed the Pre-FEED effort to continue without interruption.
- The current Alaska LNG Project schedule calls for completing the Pre-FEED deliverables in 2016. This will position the project participant for the decision on entering the FEED phase – a phase that is expected to cost over \$1 billion.

- As ExxonMobil considers the stage / gate decision for the FEED phase, we will evaluate the Project's potential commercial and technical viability by assessing the following:
 - Project capital requirements and execution schedule.
 - Outlook for securing timely FERC and other regulatory authorizations
 - LNG market confidence and buyer support.
 - Business environment including LNG price outlook and availability of materials, equipment and qualified contractors / vendors
 - Project-enabling fiscal and commercial agreements
 - As I have testified before, a key FEED requirement for ExxonMobil is a mutually acceptable fiscal contract that provides for competitive, predictable and durable terms.
 - ExxonMobil is also cognizant that an affirmative vote for FEED by all participants is dependent on the availability of near term cash in today's challenging economic environment.
 - Now, more than ever, we are reminded that projects must be extremely cost competitive to survive the inevitable up-and-down market cycles.
 - As Steve Butt highlighted, the AKLNG parties continue to evaluate opportunities to reduce overall project costs through various engineering and technical options. These efforts will be critical to supporting the project's economic viability and positioning Alaska LNG to compete with other LNG projects around the world.
 - When the Producers and the Administration are aligned and ready, legislative action on the project-enabling agreements would be sought consistent with SB 138.
 - ExxonMobil believes that the support of all stakeholders, including ANS lease holders, the State of Alaska, and its citizens, is necessary for a successful project.
 - Actions of ExxonMobil to complete Pre-FEED, negotiate agreements and secure timely regulatory approvals demonstrate our commitment to advance AKLNG.
 - Thank you for the opportunity to testify before you today.
 - I will ask [Marty Rutherford] to make her opening remarks.
- [After opening remarks by the others]
- I will now go through the presentation package. We would encourage you to ask questions along the way.