



# AIDEA Oil and Gas Infrastructure Development Fund HB 246

## House Resources Committee

March 16, 2016

*Investing in Alaskans*

# Current AIDEA Financing Tools

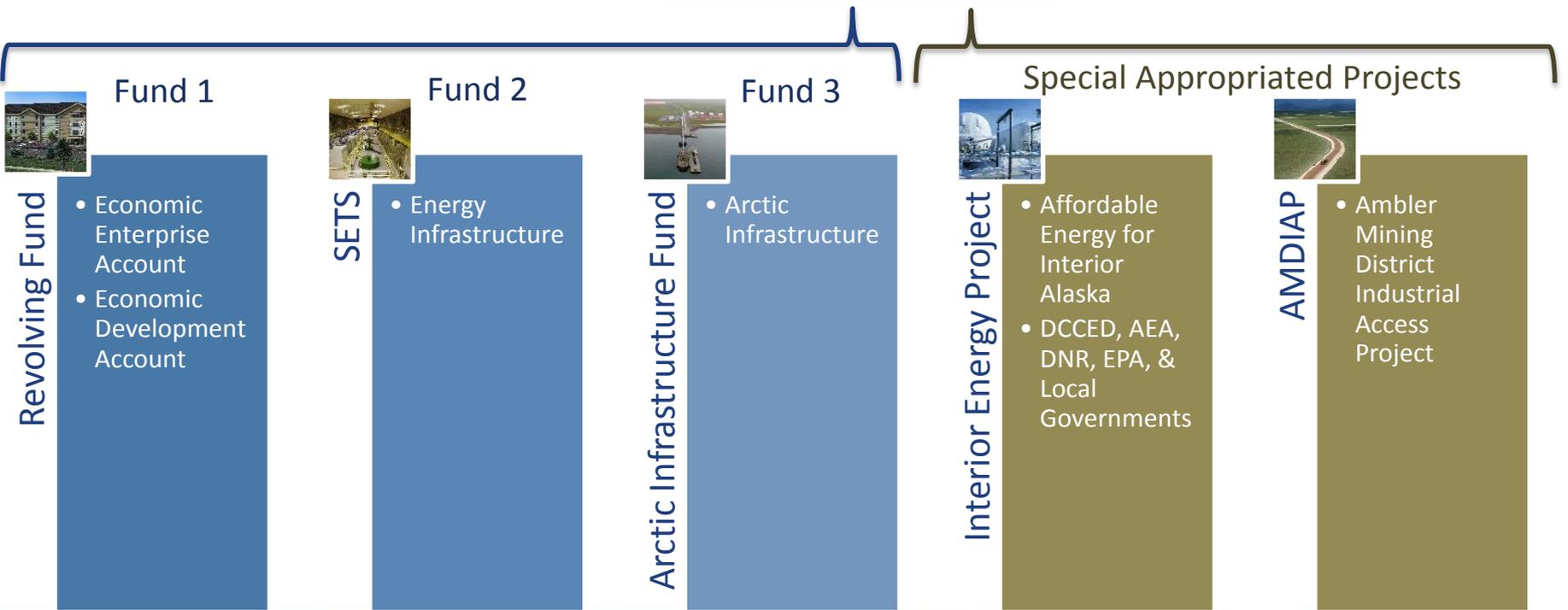


**AIDEA Board**

- Commissioner - Dept. of Revenue
- Commissioner - DCCED
- 5 successful Alaska business people

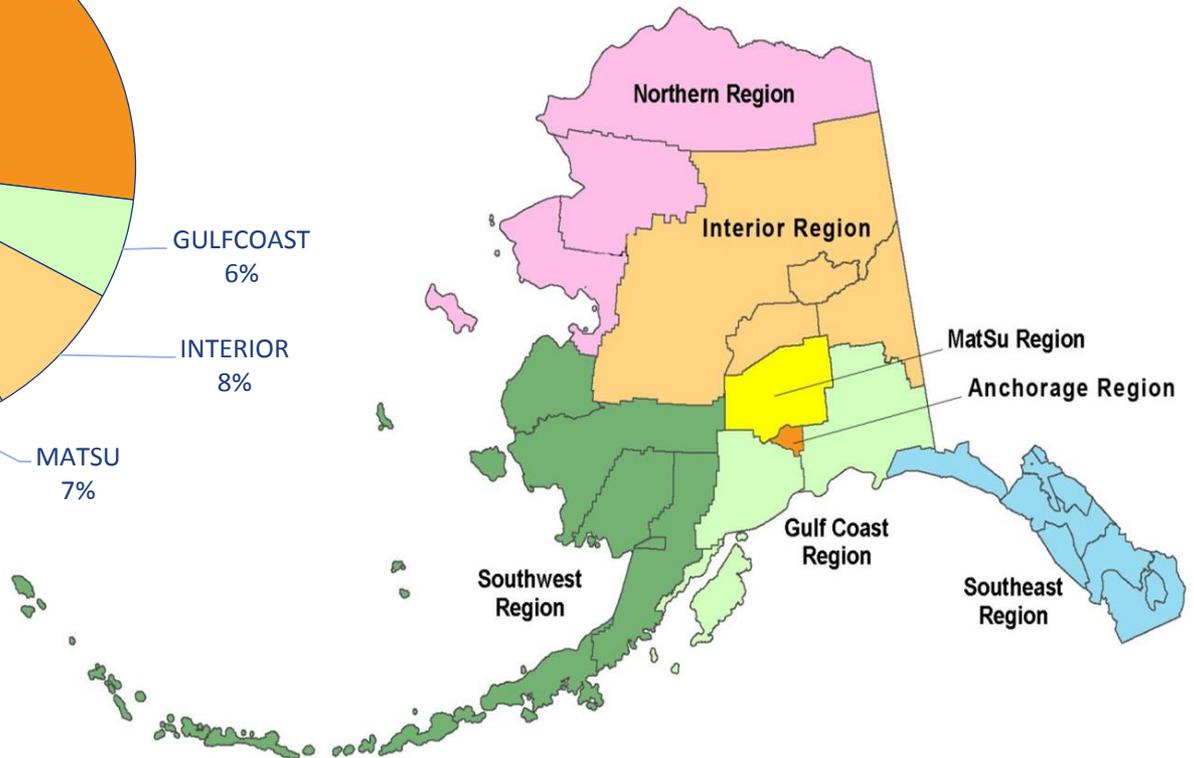
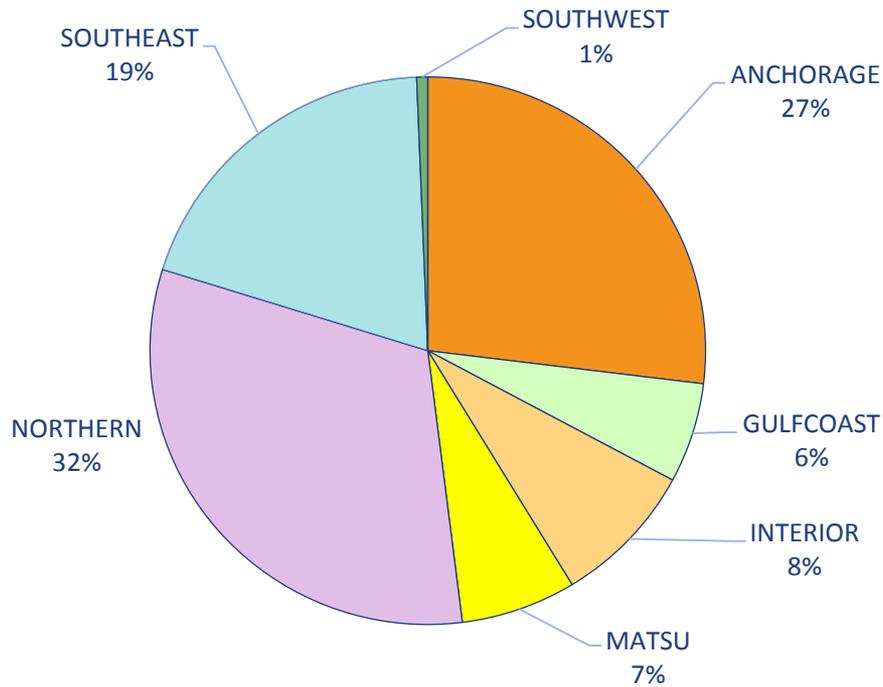


**AIDEA Staff**



# Geographic Project Diversity

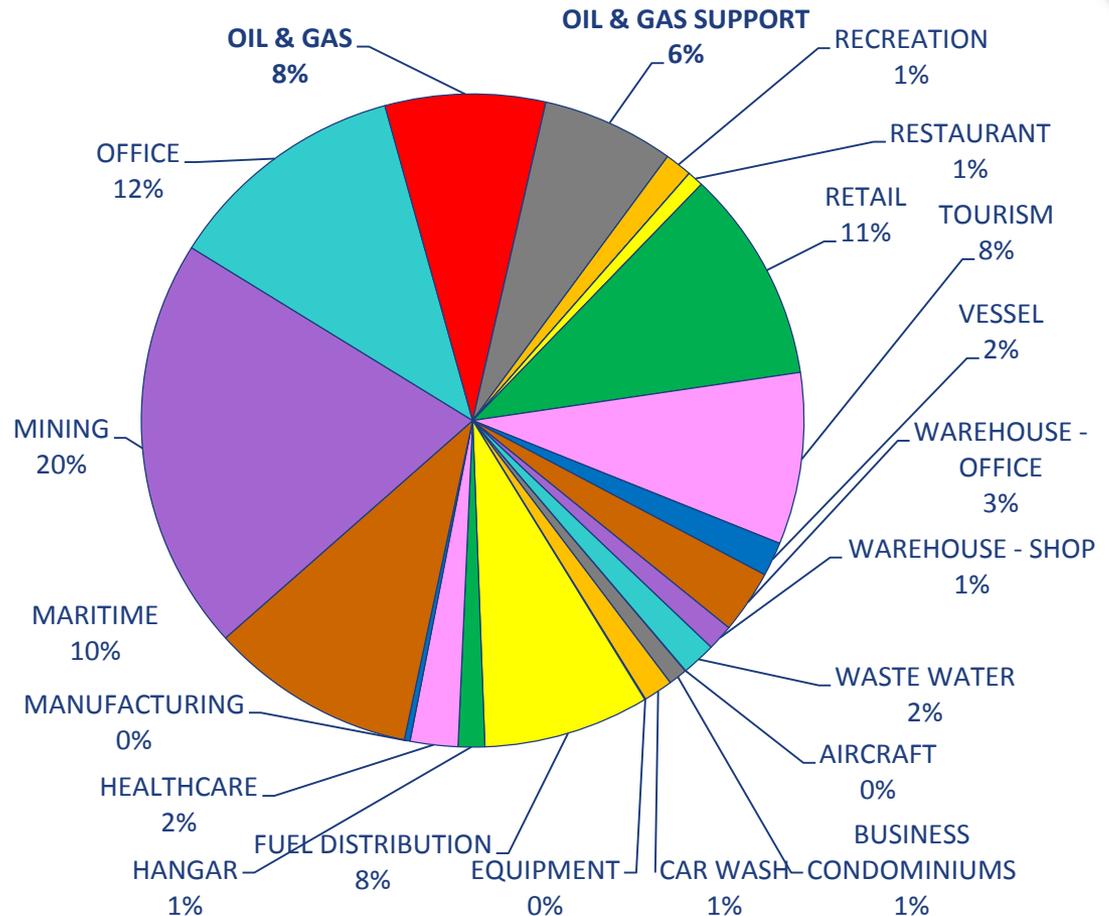
## AIDEA Projects and Loans



# Industry Diversification

## Total Existing and Approved Capacity Projects and Loans as of 10/31/15

Oil and Gas (including support) account for 14% (\$110 million) of AIDEA's financing.



# AIDEA Financing Tools after HB 246

Proposed legislation would create “Fund 4”  
Oil and Gas Infrastructure Development Fund

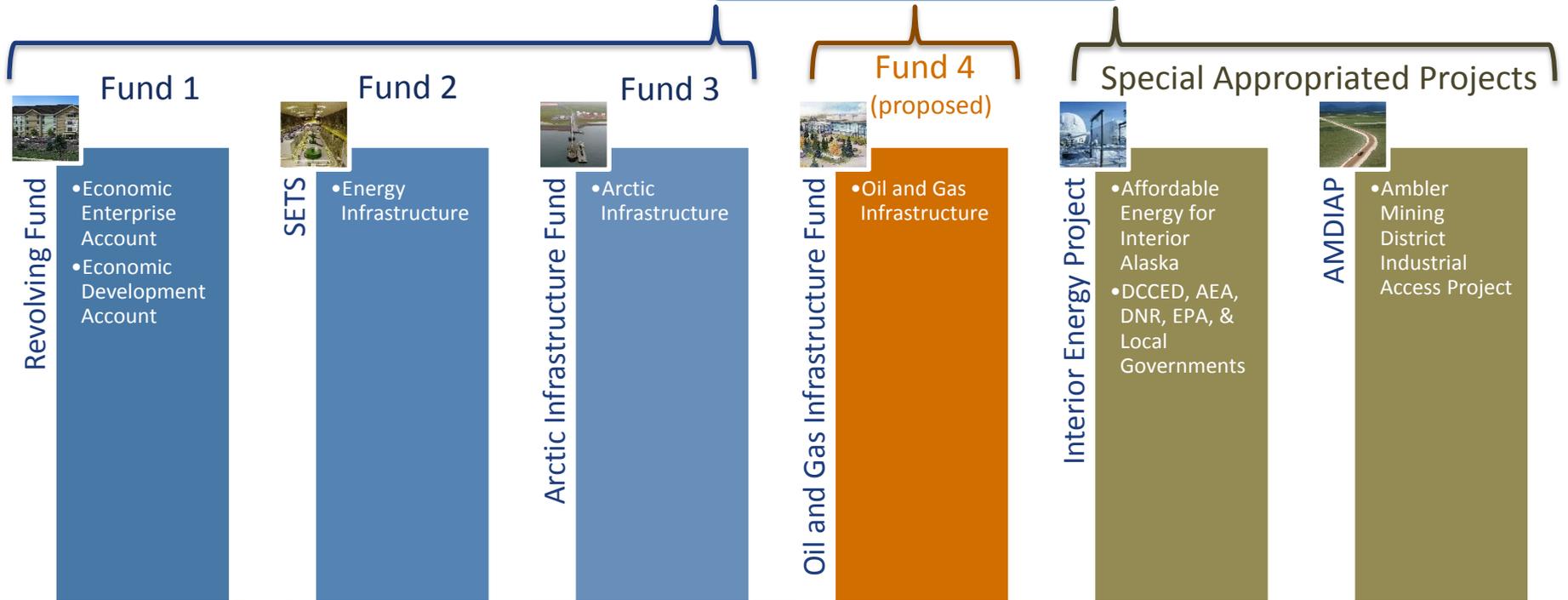


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# Intent of HB 246



## Continue infrastructure financing to:

- Support small and medium sized oil and gas developers statewide
- Increase production and bring new fields online
- Attract new investment
- Increase future State oil and gas revenues
- Support investment for energy security

# Eligible Oil and Gas Infrastructure Projects



- Oil & Gas Development Infrastructure defined as:
  - Investment: acquisition, construction or installation (including engineering)
  - Projects: road, pad, camp, processing facility, gathering system or other-site improvement or equipment
- Projects must support fields with proven reserves
- Proven Reserves defined as:
  - Analysis of geological and engineering data
  - Commercially recoverable under current economic conditions, operating methods, and government regulations
  - Can be categorized as developed or undeveloped

# Financing and Tax Credits



- After opting to use AIDEA financing, projects may no longer use:
  - Exploration & Development tax credit (AS 43.20.043)
  - Production tax credit (AS 43.55.023)
  - Production tax credit for exploration expenditures (AS 43.55.025)
- Projects with past tax credits still eligible for AIDEA financing

# Market Based Interest Rates



- AIDEA will base interest rates on:
  - Project risk
  - Borrower creditworthiness
  - Owner and financing partner commitments
  - Benefit to the State
- Interest rates may be higher for oil and gas infrastructure projects due to the inherent industry risk

# Other Bill Components

## Modifies financing limits of SETS and Arctic Infrastructure development funds

- Proposes that all 3 funds be allowed to loan up to 50 percent of an eligible project or offer a loan guarantee up to \$25,000,000
- Amounts in excess of these limits would require prior legislative approval

# Sectional Analysis



- A separate sectional analysis is in each committee member's bill file.

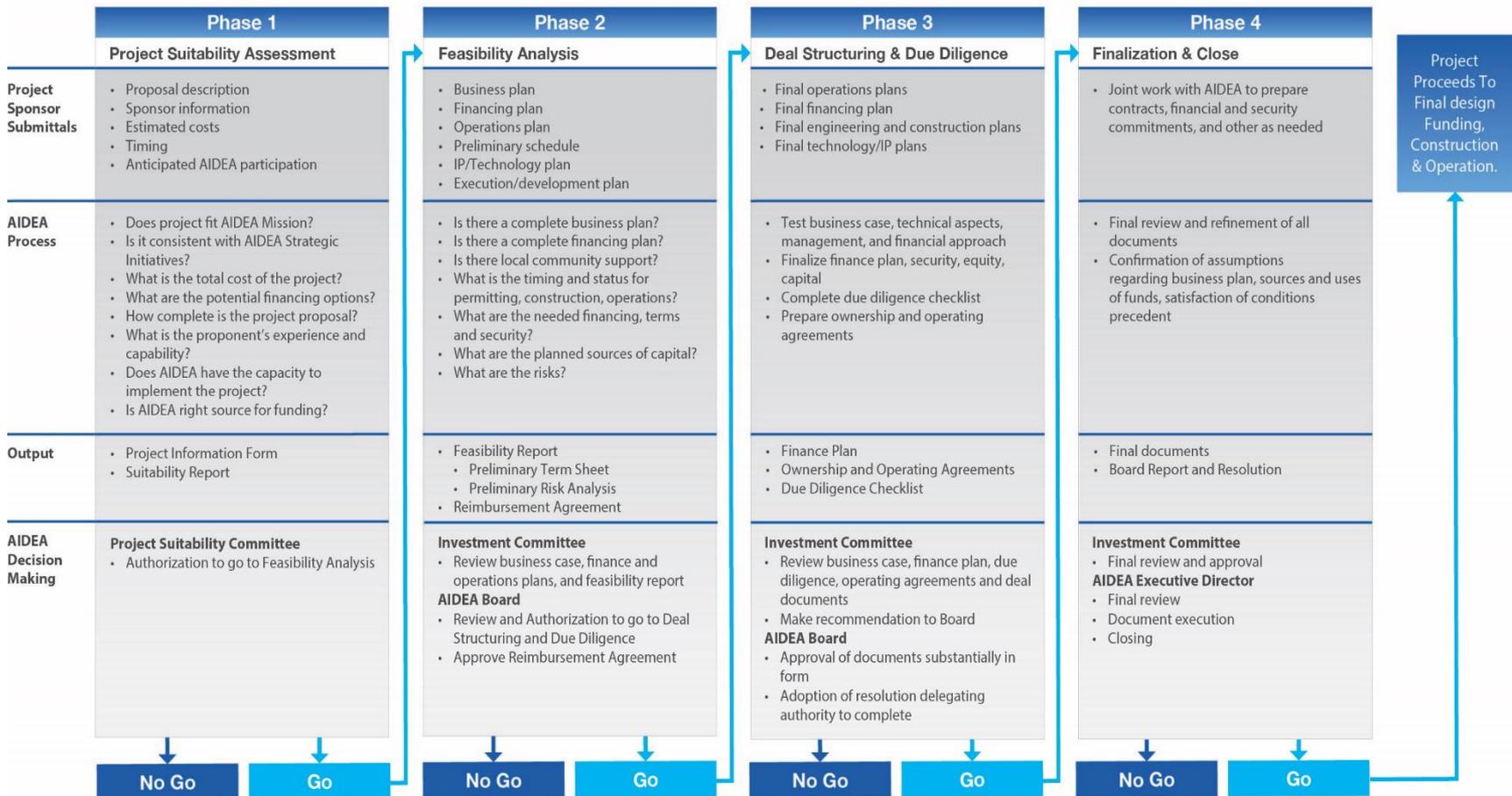
## Established analysis and decision making process

- Technical due diligence
  - AIDEA sets procedure for verifying proven reserves
- Financial due diligence
  - Review developer creditworthiness and financing partner commitments
  - Analysis of economics, including oil price stress tests
- Analysis of benefit to State
  - Jobs created and petroleum revenues created
- Managed by AIDEA staff with hired consultants/specialists
- AIDEA Board makes final investment decision

# Analysis & Decision-Making

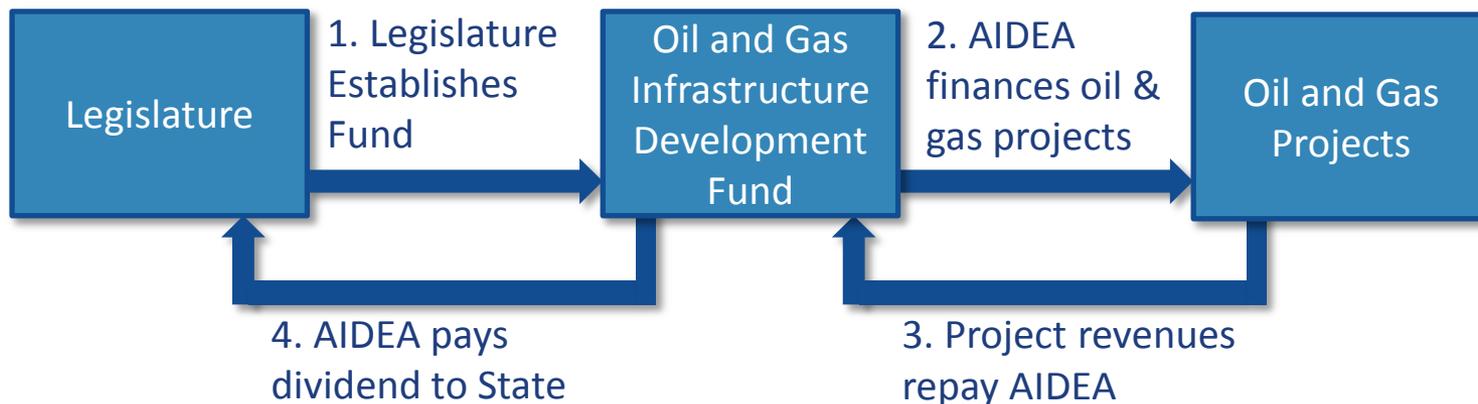


## Established analysis and decision making process

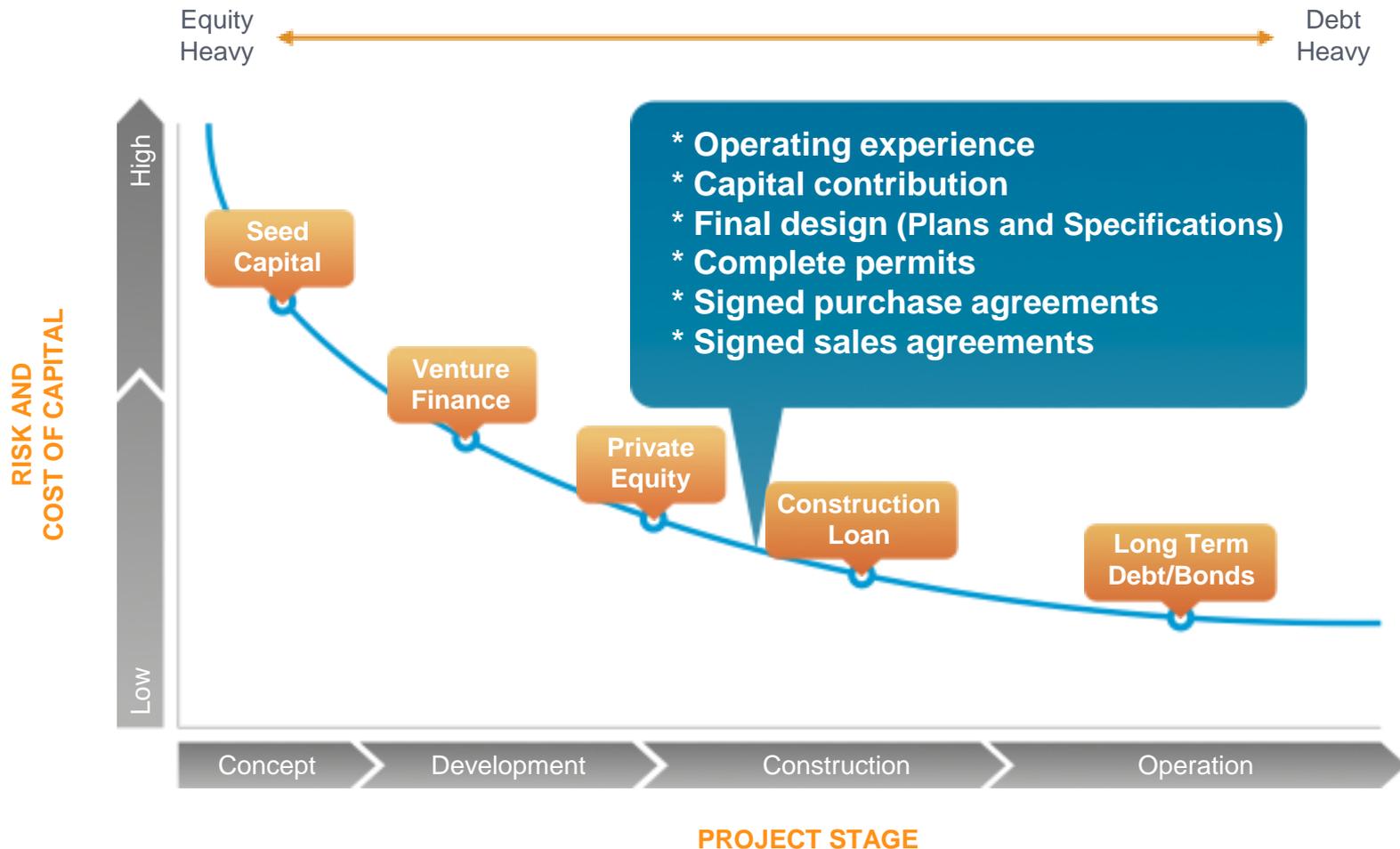


# Financing Repayment

- AIDEA financing at market-based rates to reflect individual project risk
- Loans repaid with interest
- AIDEA will earn revenue
  - Some earnings to the State as a dividend
  - Some earnings to fund future projects



# AIDEA Entry Point & Criteria



# Summary



- Provides AIDEA a specific program to finance oil and gas infrastructure
- Eligible oil and gas infrastructure must have proven reserves and undergo established due diligence review
- Finance terms will be market based

# Implementation Cost



- Implementing the program will involve minor modification of regulations, which will be carried out in-house
- Program implement cost will be absorbed
- Program management cost will be absorbed
- Modified fiscal note submitted to acknowledge potential fund capitalization



# Alaska Industrial Development and Export Authority

Contact:  
John Springsteen  
(907) 771-3085

813 West Northern Lights Blvd.  
Anchorage, Alaska 99503



(907) 771-3000

(888) 300-8534 (Toll Free in Alaska)



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[www.aidea.org](http://www.aidea.org)

