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Governor Bill Walker
STATE OF ALASKA

January 15, 2016

The Honorable Kevin Meyer
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Meyer:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill to establish a new oil and gas infrastructure development program and fund for the Alaska Industrial Development and Export Authority (AIDEA).

The bill proposes to create a new tool for AIDEA to use in assisting the oil and gas industry in the state by proposing an oil and gas infrastructure development program to allow AIDEA to assist in supporting small or medium-sized oil and gas producers that are dependent on outside financing. Such small or medium-sized producers can make a significant contribution to the state's economy but they do not always have access to the capital they need. The bill is meant to assist in overcoming that obstacle. As a means of ensuring that the State does not bear too much of the burden of any particular project, the bill would require that AIDEA make sure the participants in an AIDEA oil and gas infrastructure development program do not take, apply for, or accept a gas exploration and development credit or a production tax credit from the State.

Specifically, the oil and gas infrastructure development program would be established as AS 44.88.850. To facilitate its purpose, an oil and gas infrastructure development fund would be established in AIDEA to finance oil and gas infrastructure development, including guaranteeing loans and bonds. Within the restrictions established in the bill, AIDEA would be able to make loans and provide loan guarantees for oil and gas developments. AIDEA would be given the authority to take a lien or security interest in real or personal property, with respect to an oil and gas infrastructure development, to protect repayment of the authority's financing. Also, the bill proposes to authorize AIDEA to finance an oil and gas infrastructure development that has already been explored and that has established proven reserves. AIDEA would establish processes for financing and confirmation of proven reserves. Speculative developments that are still in the exploration stage would not be eligible under the program.

The bill also would provide AIDEA greater flexibility to administer the sustainable energy transmission and supply and the Arctic infrastructure development programs by allowing the authority to, without legislative approval, make a loan for up to 50 percent of the capital cost of one

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of those developments or to guarantee a loan for up to \$25,000,000.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Walker", is written over the printed name.

Bill Walker
Governor

Enclosure