



# **AIDEA Oil and Gas Infrastructure Development Program and Fund SB 129**

## **Senate Resources Committee**

April 5, 2016

*Investing in Alaskans*

# Current AIDEA Financing Tools

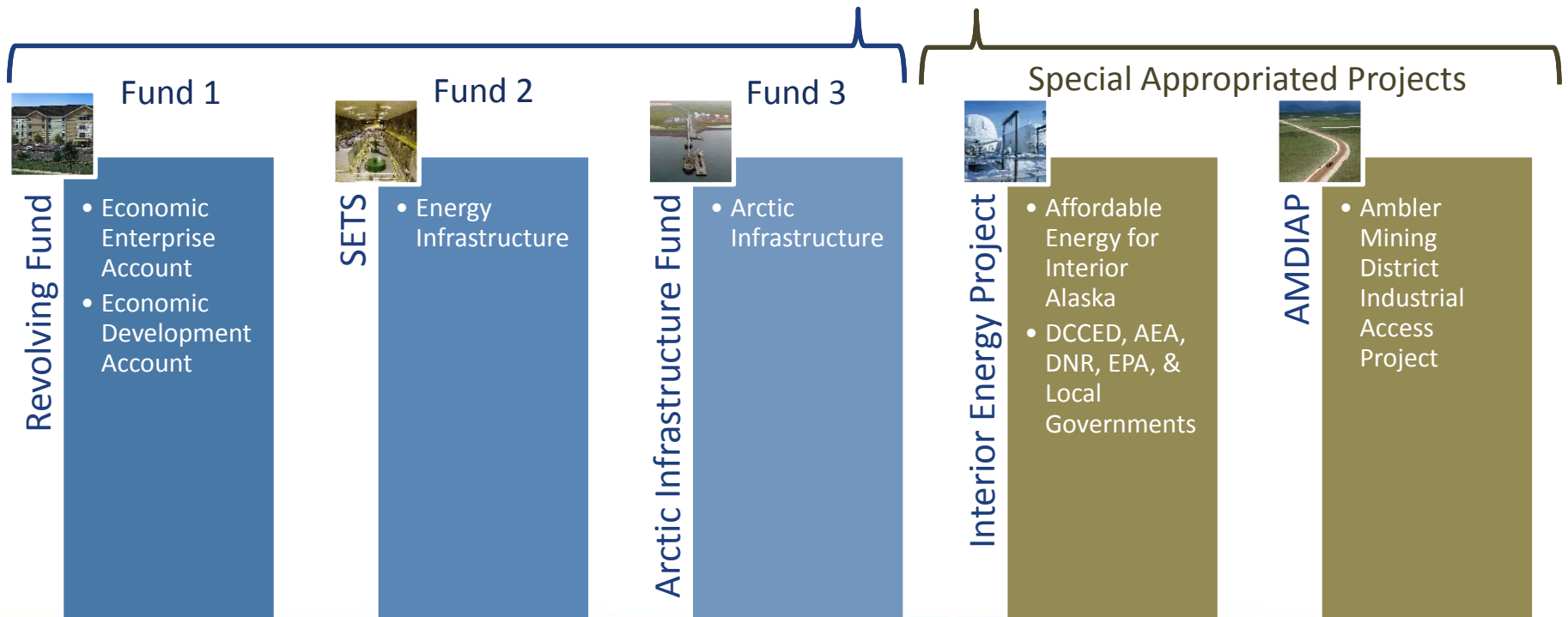


## AIDEA Board

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



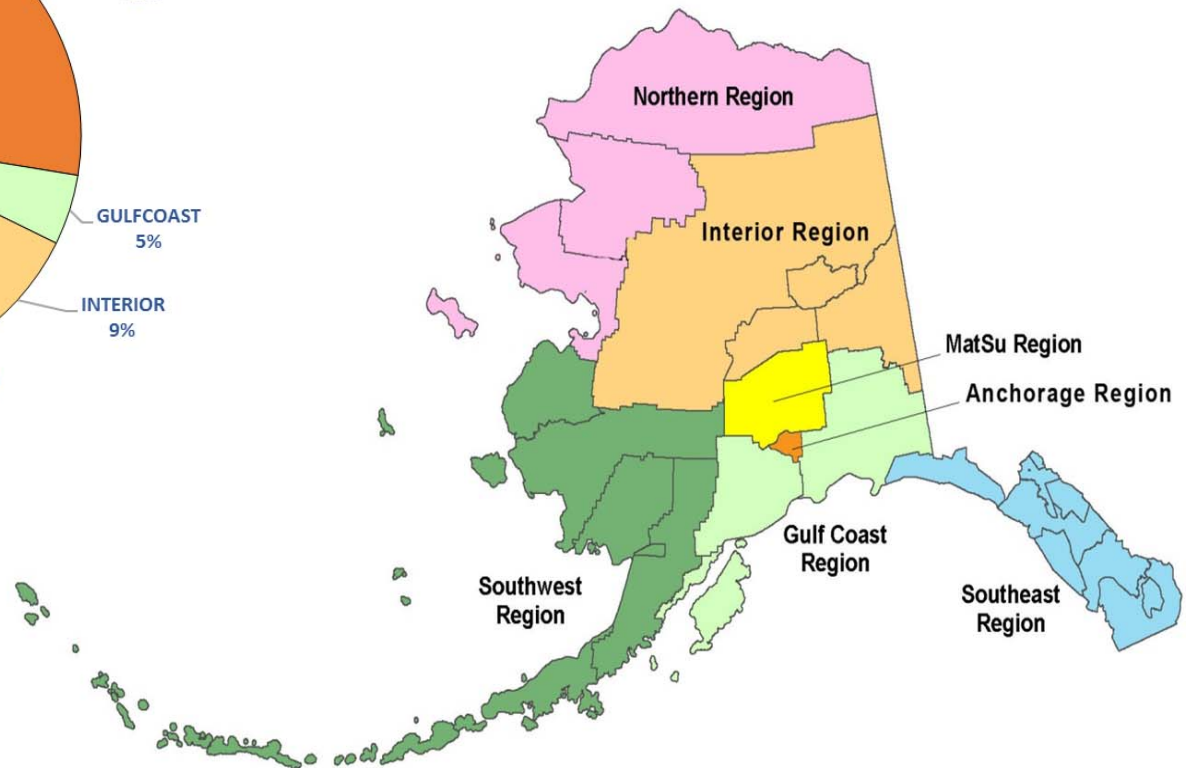
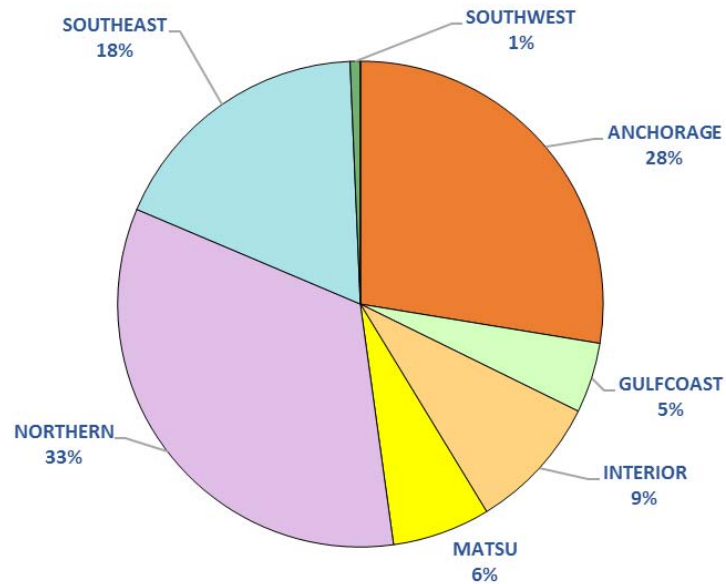
## AIDEA Staff



# Geographic Project Diversity



## AIDEA PROJECTS AND LOANS

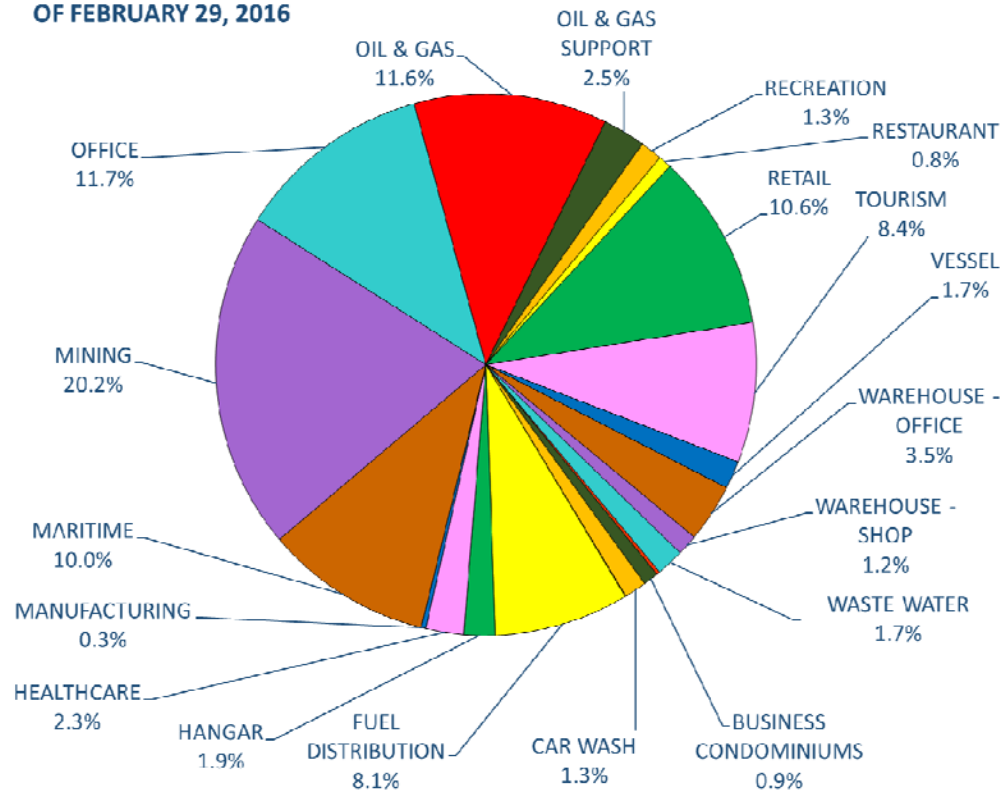


# Industry Diversification



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

TOTAL EXISTING AND APPROVED CAPACITY PROJECTS AND LOANS AS OF FEBRUARY 29, 2016



# AIDEA Financing Tools after SB 129



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

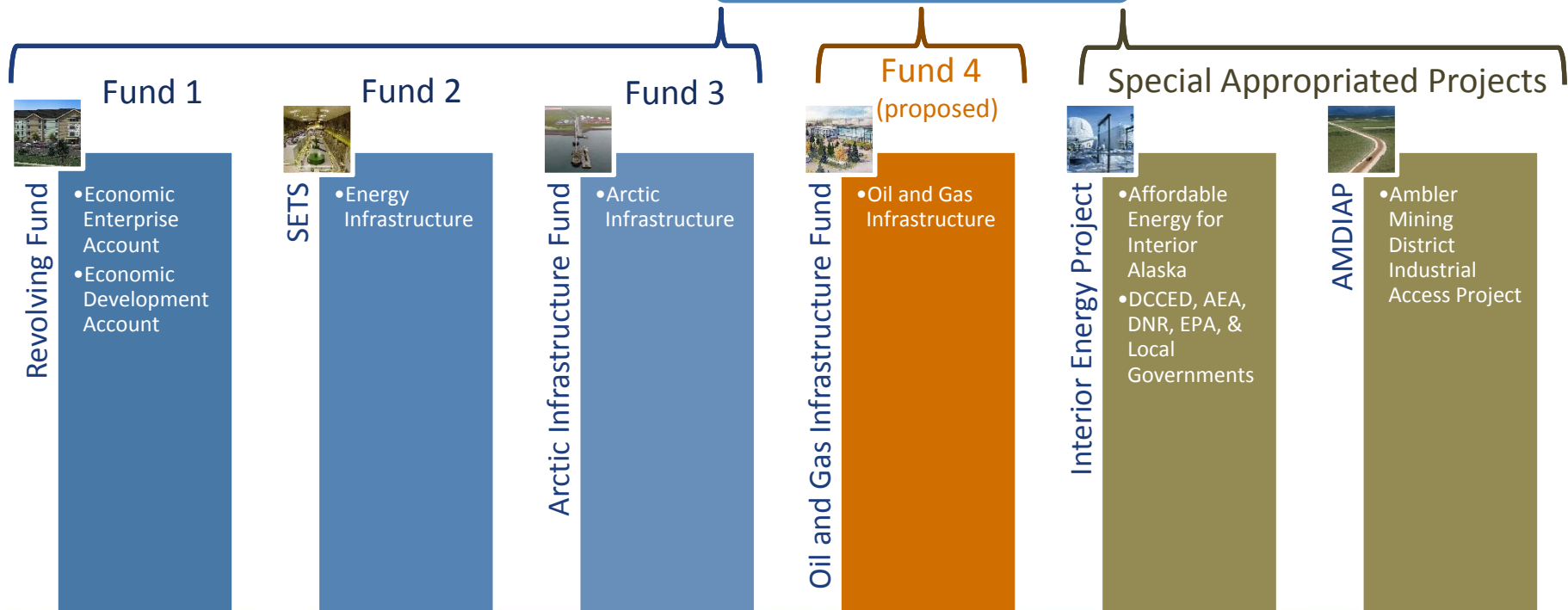


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AIDEA Staff



# Intent of SB 129

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## 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

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- 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

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- 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

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

# AIDEA Due Diligence



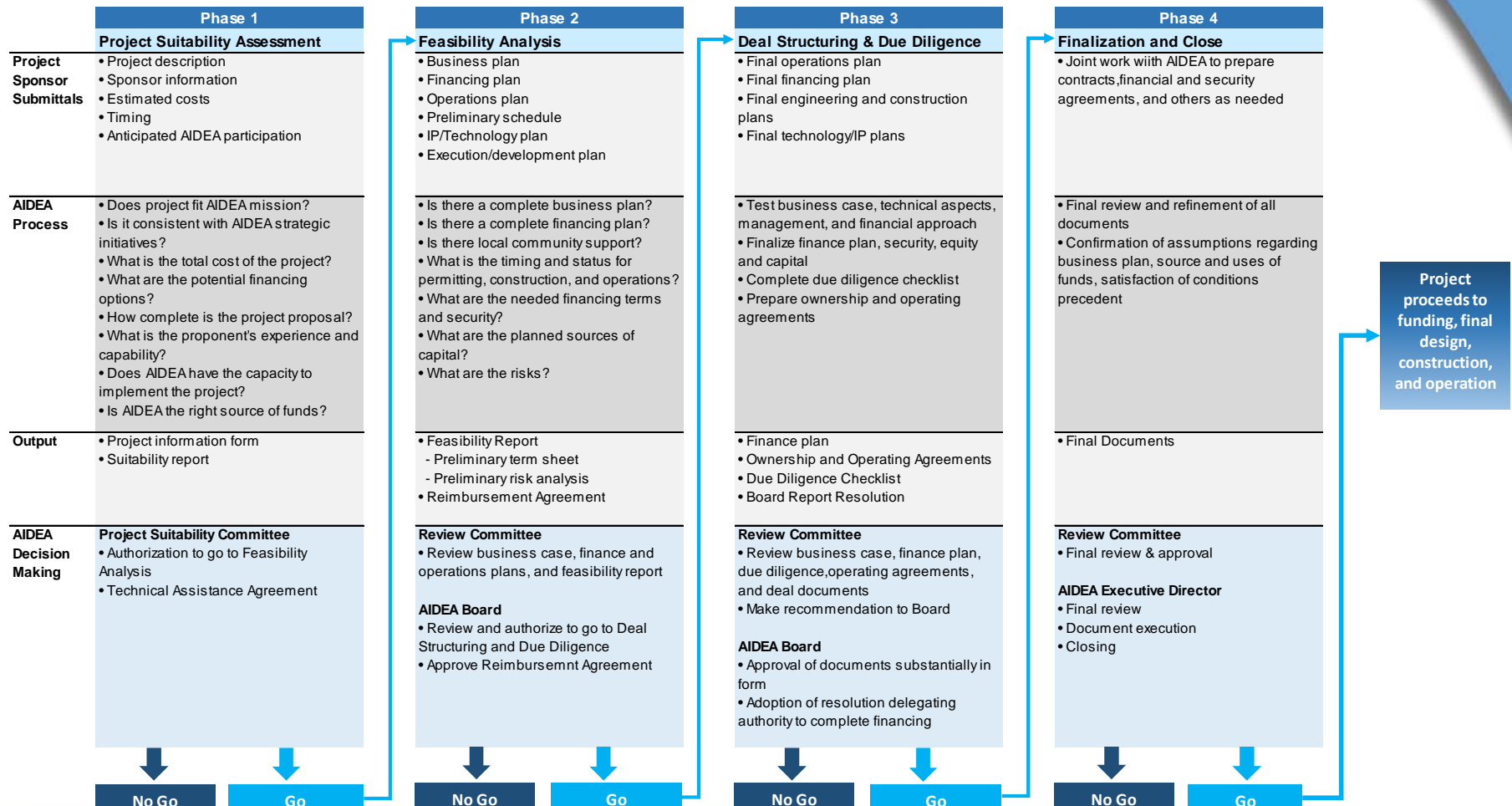
## Established analysis and decision making process

- 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



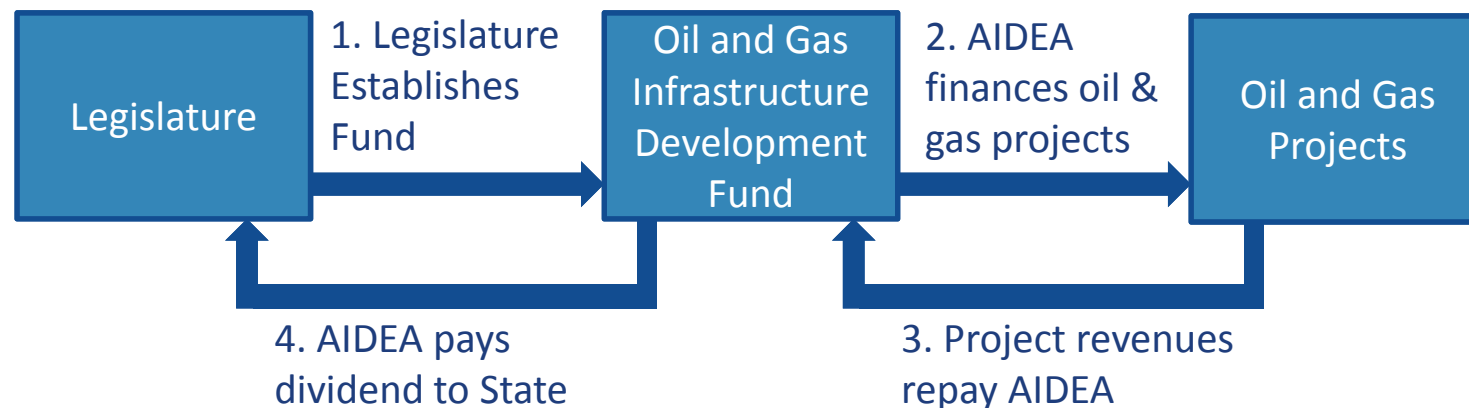
## Established analysis and decision making process



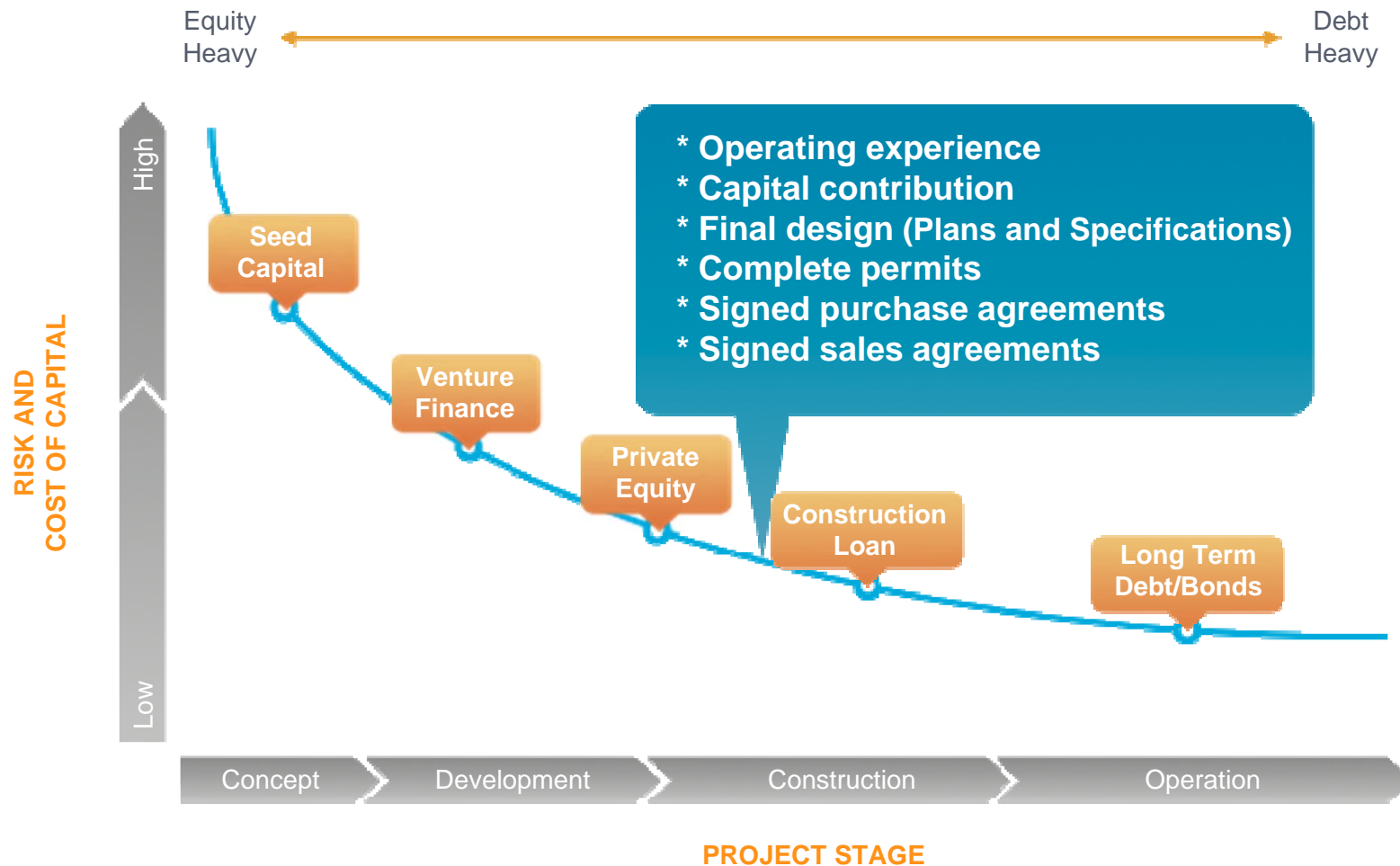
# Financing Repayment



- 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

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- 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

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- 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



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#AIDEA



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