

Alaska LNG

Project Update

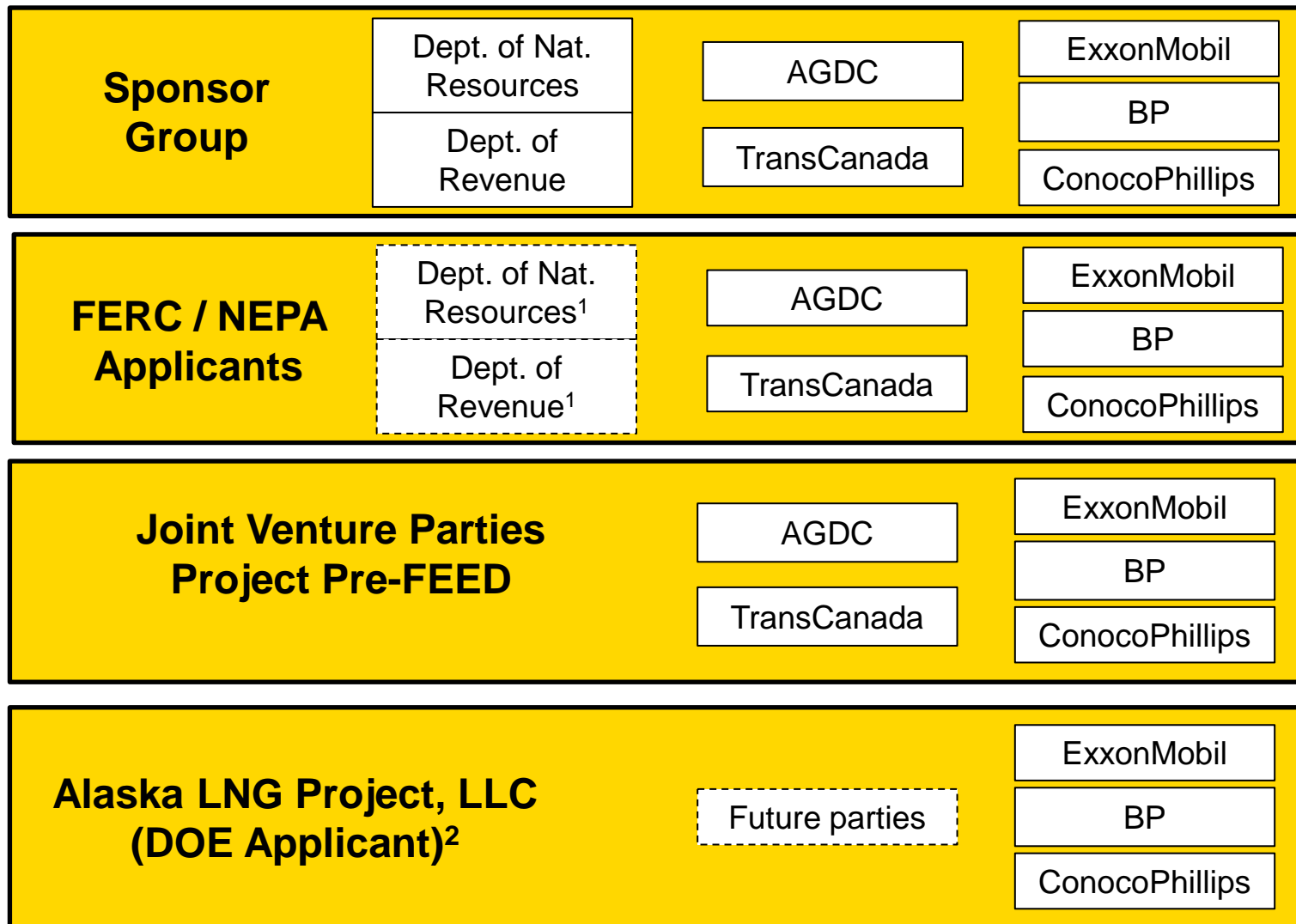
House and Senate Resources
Committees

June 16, 2015

Audie Setters – State Gas Team
Dona Keppers – Department of Revenue
Dan Fauske – AGDC
Vincent Lee – TransCanada

Bill McMahon – ExxonMobil
Dave Van Tuyl – BP
Darren Meznarich – ConocoPhillips

Alaska LNG Project Arrangements



¹ Consultant role for DNR / DOR

² DOE application also covers any potential State RIK and TAG volumes

Alaska LNG Project Arrangements

Sponsor Group

Dept. of Nat.
Resources

Dept. of
Revenue

AGDC

TransCanada

ExxonMobil

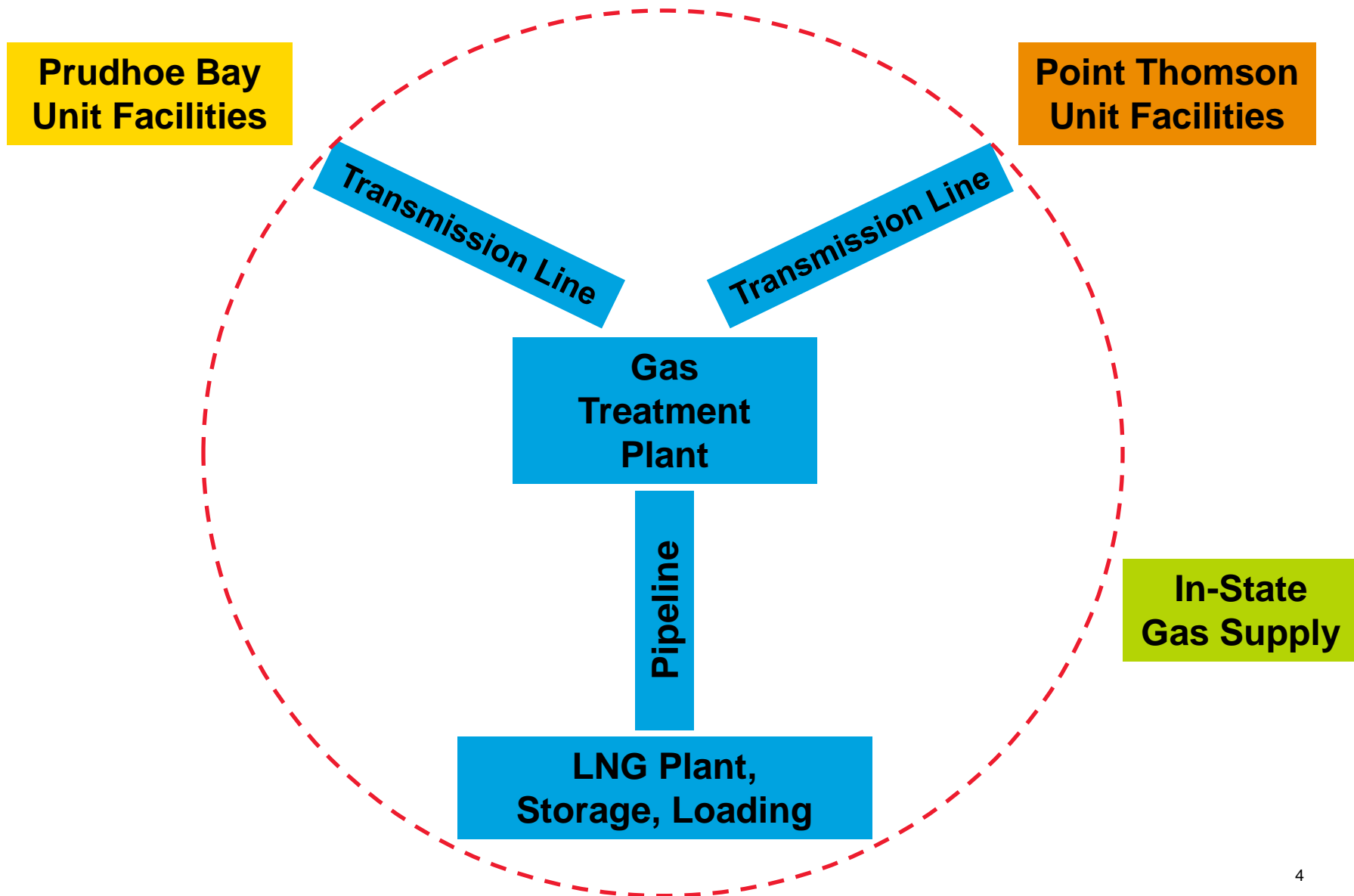
BP

ConocoPhillips

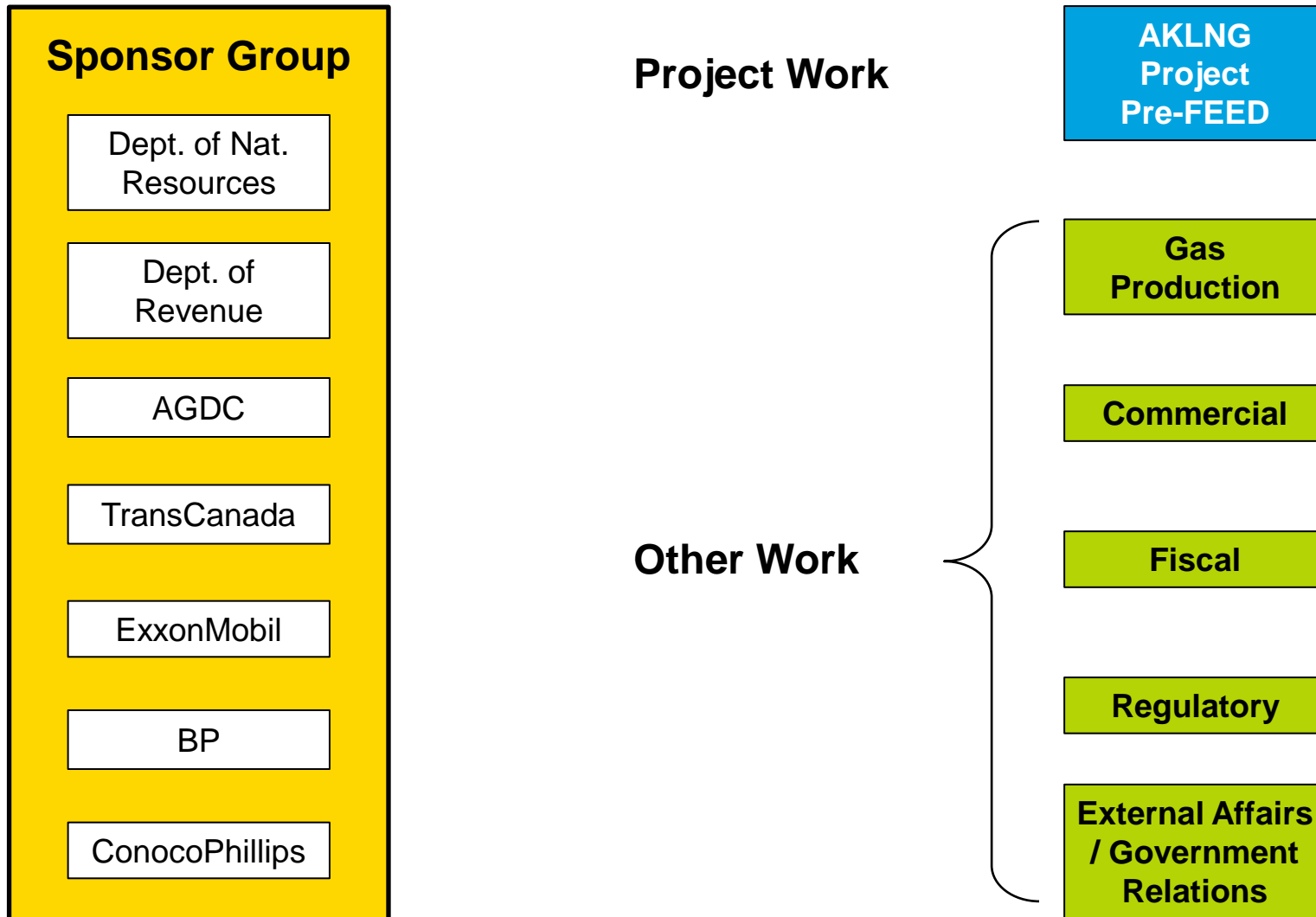
AKLNG Project Pre-FEED

- Integrated team includes experienced personnel from ExxonMobil (Lead), TransCanada, BP and ConocoPhillips
- Currently in Pre-FEED (Pre Front End Engineering Design)
- Advancing engineering of AKLNG Project facilities
- Conducting field studies to progress design basis
- Drafting project execution plans
- Refining overall cost and schedules
- Developing environmental permitting applications
- Cooperation agreement with AGDC on field data collection and historical data exchange

Alaska LNG Project Facilities



Alaska LNG Project Arrangements



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BP

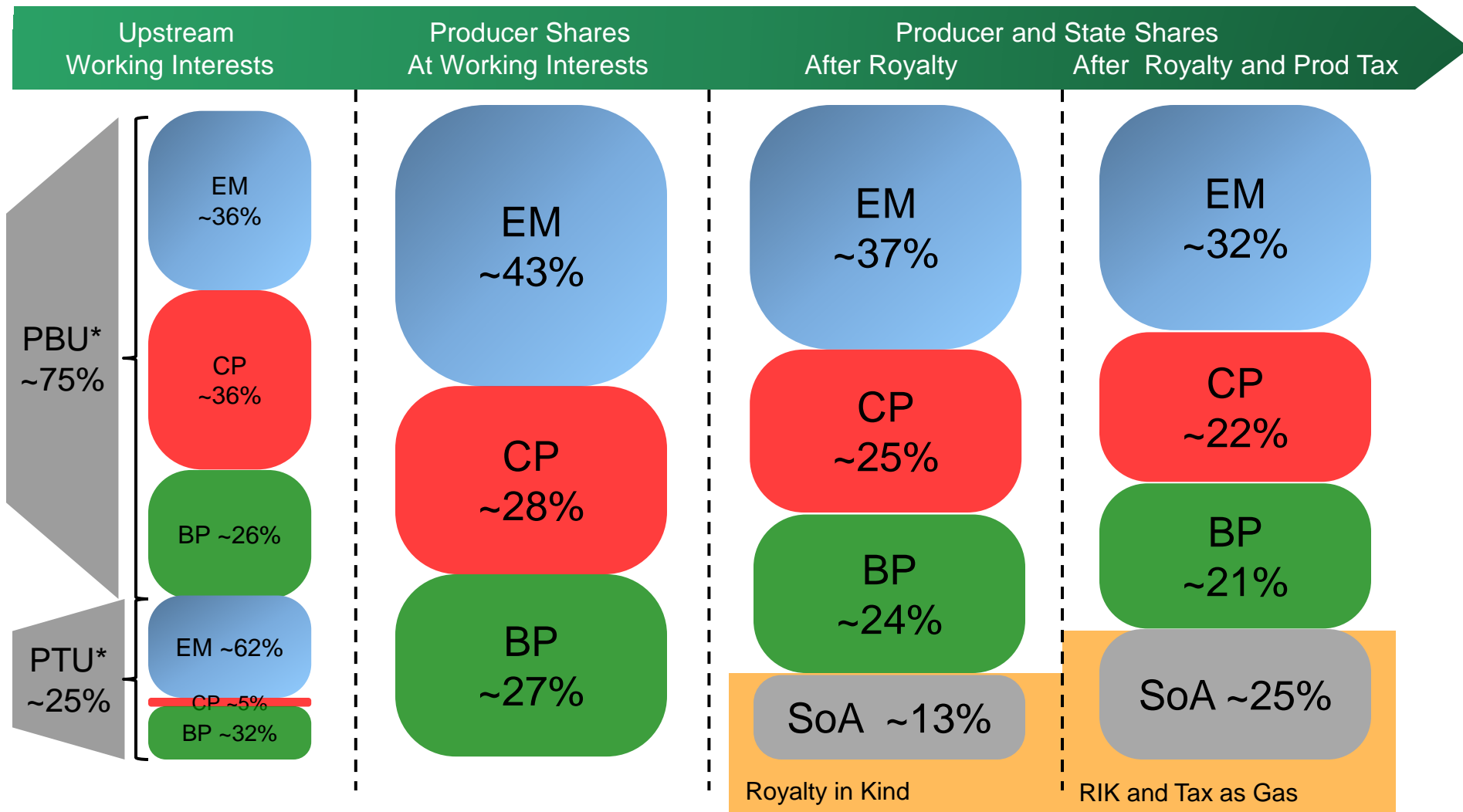
ConocoPhillips

AKLNG
Project
Pre-FEED

**Gas
Production**

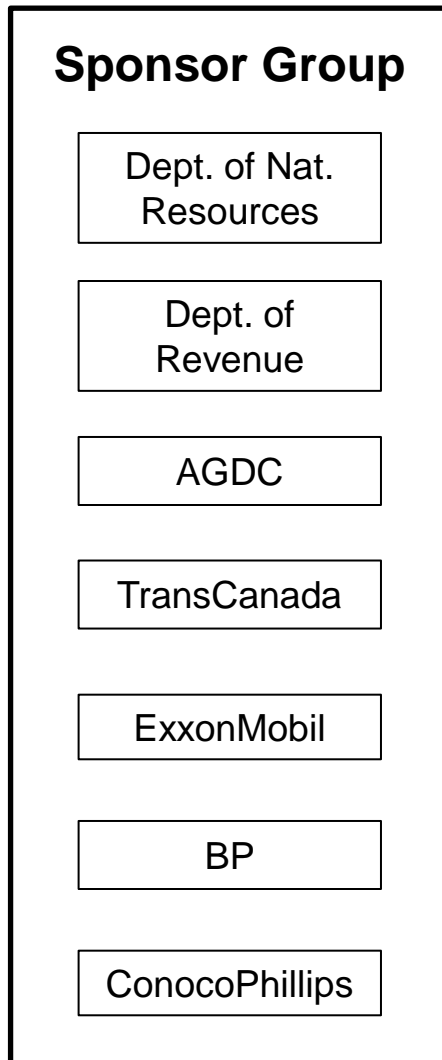
- Preparations for commercial natural gas production are underway at both Point Thomson Unit (PTU) and Prudhoe Bay Unit (PBU)
- Significant natural gas development required at PTU including drilling and gas handling facilities
- PBU would also require some new facilities
- Working with AOGCC on gas offtake authorizations

Gas Production



* PBU / PTU split subject to gas supply agreements and regulatory authorizations

Alaska LNG Project Arrangements



AKLNG
Project
Pre-FEED

Gas
Production

Commercial

Agreeing process and drafting applications

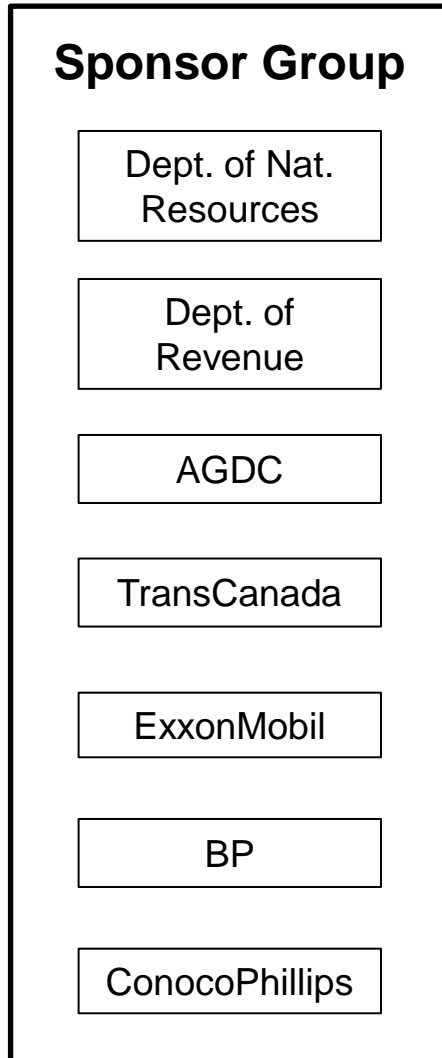
- SB 138 Lease Modifications to address RIK / RIV switching and PTU SSR / NPS leases

Developing commercial basis for the venture

- Commercial foundation agreements among State, AGDC, TransCanada, ExxonMobil, BP and ConocoPhillips to be sufficiently completed before fiscal action by the Legislature
 - Governance for long term venture including expansions
 - Gas supply to Project
 - Gas / LNG liftings from Project
 - In-state gas
 - Others
- Long-term Firm Transportation Services Agreement (FTSA) between TransCanada and State

Legislative review and approval of some agreements will be needed

Alaska LNG Project Arrangements



AKLNG
Project
Pre-FEED

Gas
Production

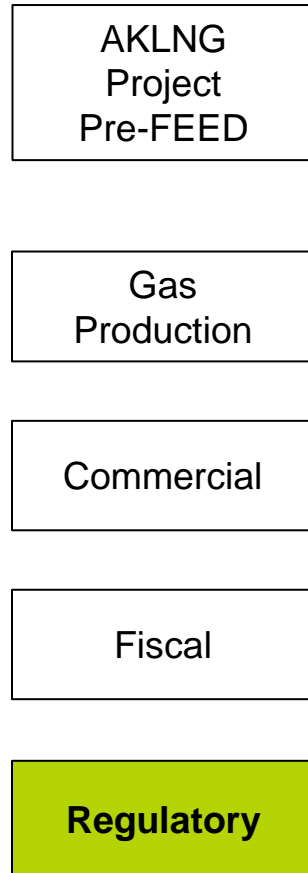
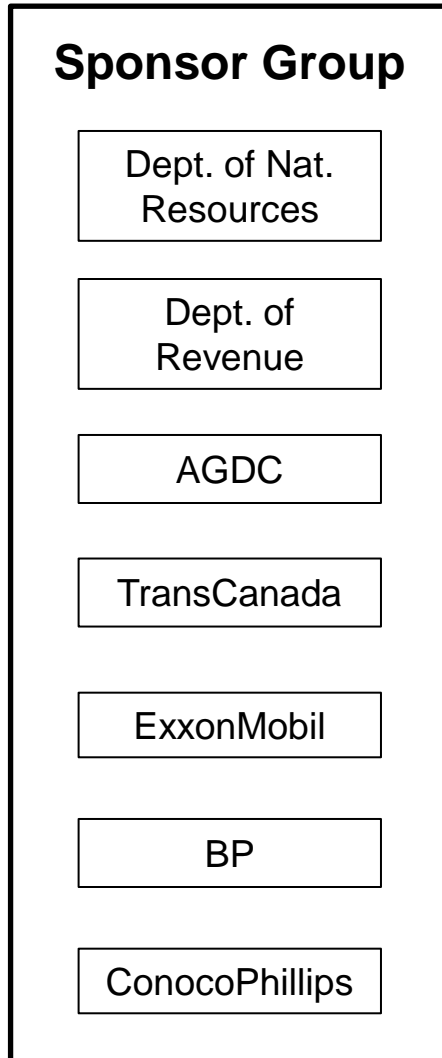
Commercial

Fiscal

Developing fiscal basis for the venture

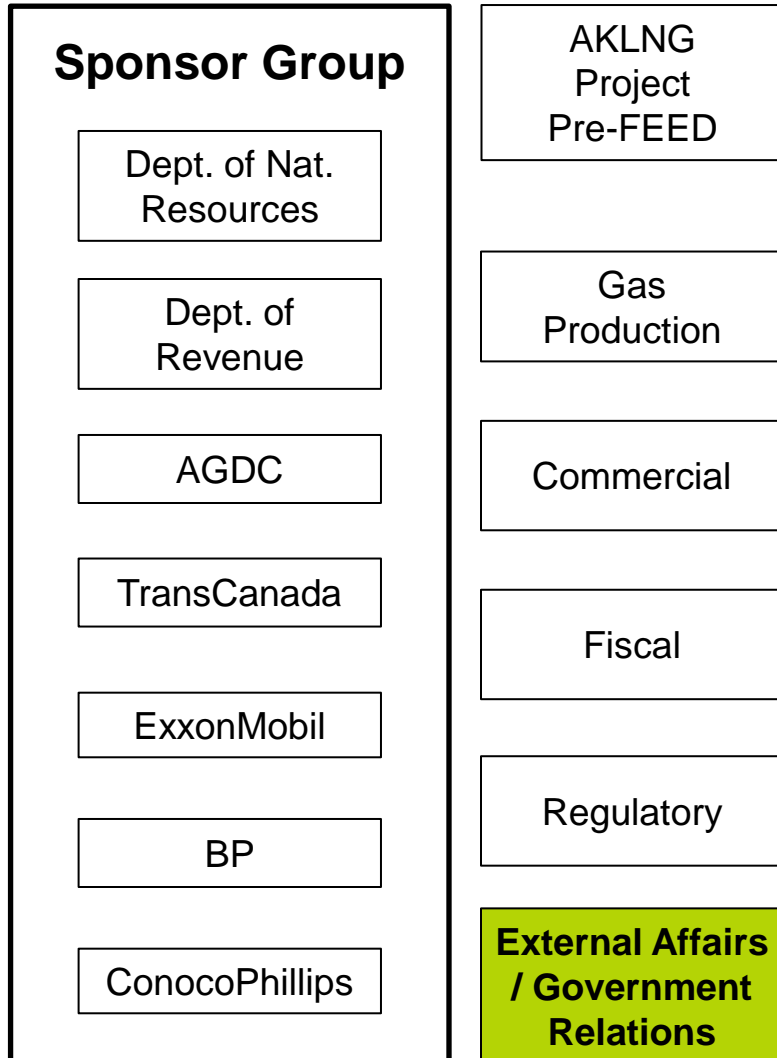
- Building on Jan 2014 HOA and SB 138
- DNR considering State Royalty in Kind
- Predictable and durable fiscal terms necessary for unprecedented scale, complexity and costs
 - Also required to compete in global energy markets
- Fiscal terms are a key enabler for the Project, and also with LNG Buyers, lenders and investors
- Considering options to make terms predictable / durable
- Legislative review and approval will be needed
- Seeking legislation to address property taxes
 - Continued dialogue with MAGPRB to finding lasting solutions that align with SB 138

Alaska LNG Project Arrangements



- FTA and non-FTA DOE Export Authorizations received
 - Allows access to all key LNG markets
- NEPA Pre-File process sets foundation for the Environmental Impact Statement (EIS)
 - Two drafts of Resource Reports before final submission intended to facilitate stakeholder engagement
 - First draft of Resource Reports submitted in Feb 2015 – available for public review on FERC website
 - Specific, anticipated project impacts and proposed mitigation measures will be included in second draft of Resource Reports expected to be submitted in Feb 2016

Alaska LNG Project Arrangements



- Project of this magnitude / complexity cannot succeed without broad public support
- Facilitating public dialogue and community engagement about the Alaska LNG Project

Deliverables to Support FEED Decision

AKLNG Project	• Pre-FEED Project Deliverables / Prep for regulatory filings
Gas Production	• PBU / PTU Development Plans, AOGCC Offtake
Commercial	• Key Agreements (e.g., Lease Modifications, Governance, Gas Supply, FTSA)
Fiscal	• Property Tax, Royalty-in-Kind, Predictable / Durable Terms
Regulatory	• DOE Export Authorizations Received, Progressing FERC NEPA Pre-File
External Affairs / Government Relations	• Broad support for Project

Timeline

- Pre-FEED Project Deliverables progressing well
- Administration Planning for special legislative session in Nov 2015
- Given magnitude of legislative ratification step, essential that participants are aligned and time be taken to complete all deliverables needed for a FEED decision

Alaska LNG Project Update

- Key Accomplishments
 - FTA and non-FTA DOE Export Authorizations received
- Remaining Challenges
 - Establish role of State as project participant
 - Lease modifications
 - RIK election
 - Timely completion of fiscal and key commercial contracts
 - Legislation for property taxes:
 - Flow Related Property Tax mechanism after startup
 - Impact payments during construction
 - Legislation to provide durable / predictable fiscal terms