

Alaska LNG

Project Update

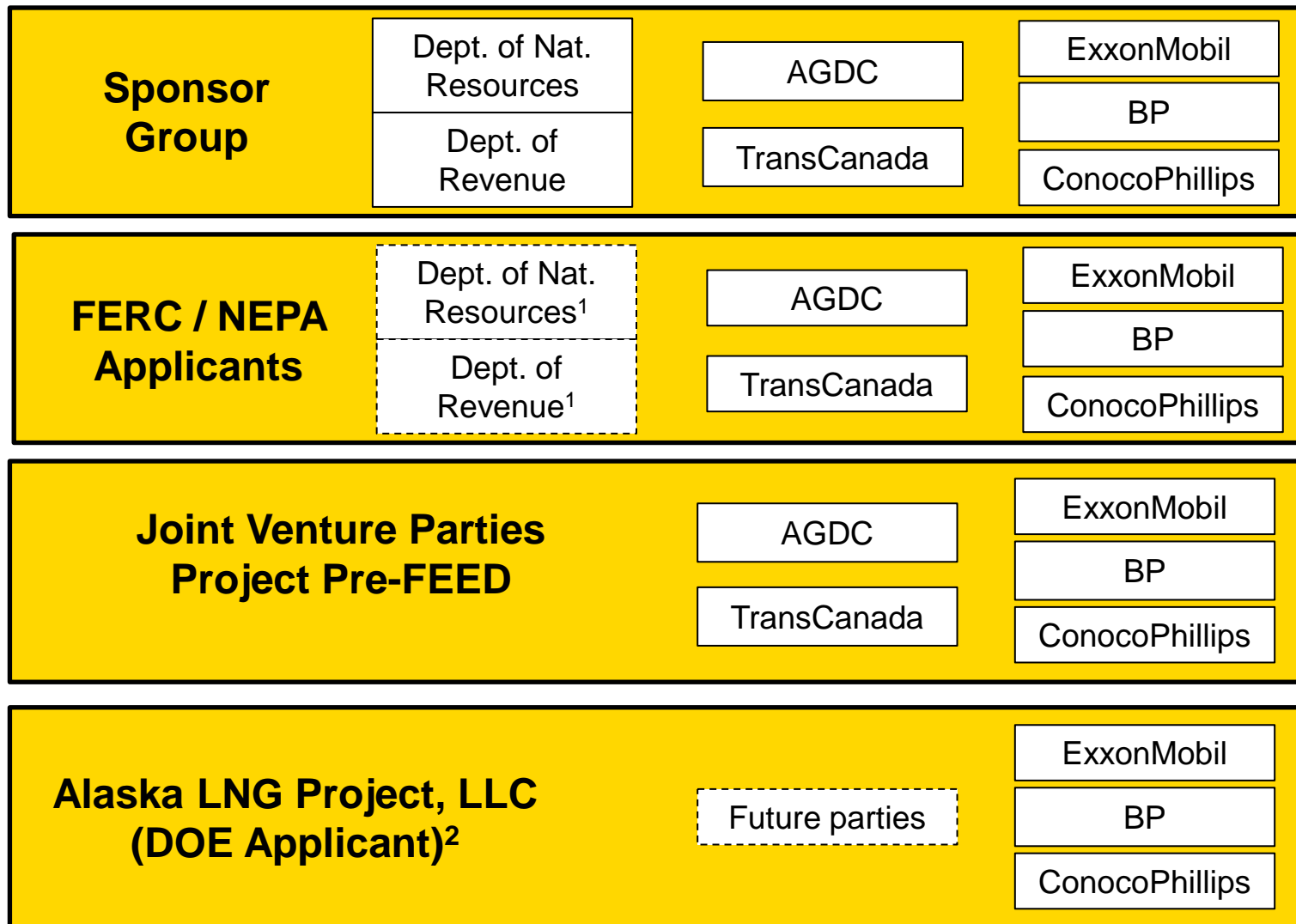
House and Senate Resources
Committees

September 9, 2015

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

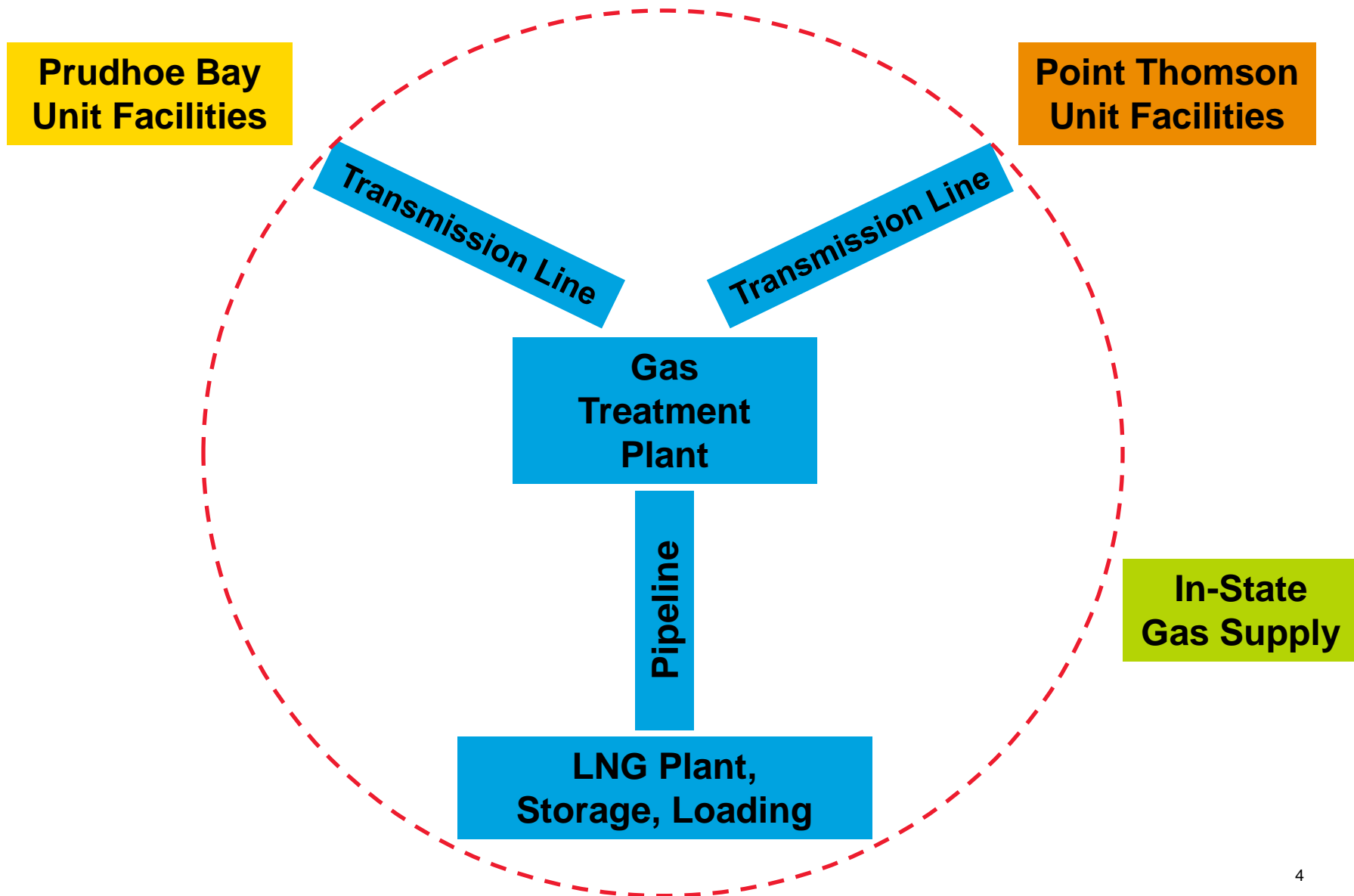
BP

ConocoPhillips

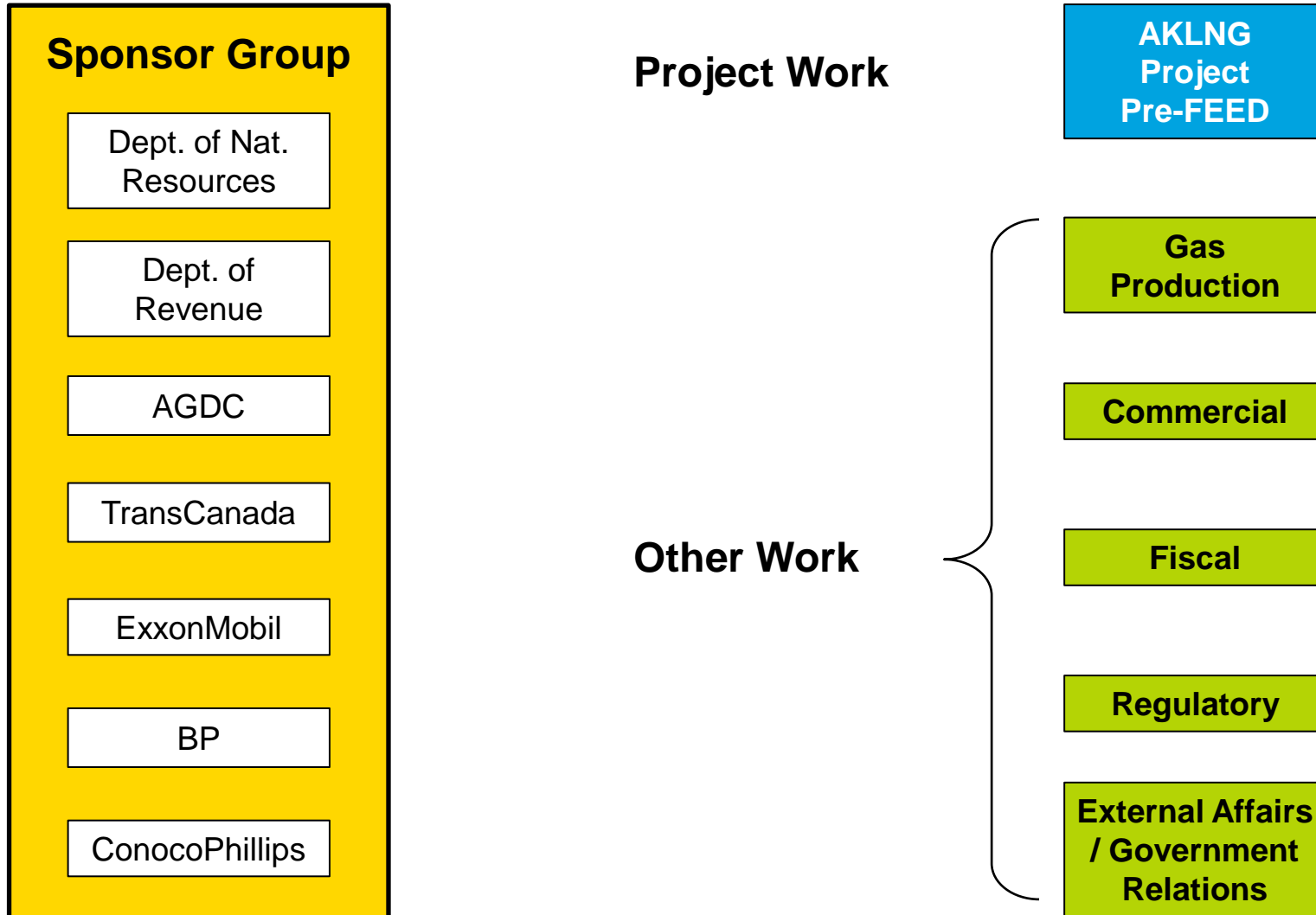
AKLNG Project Pre-FEED

- 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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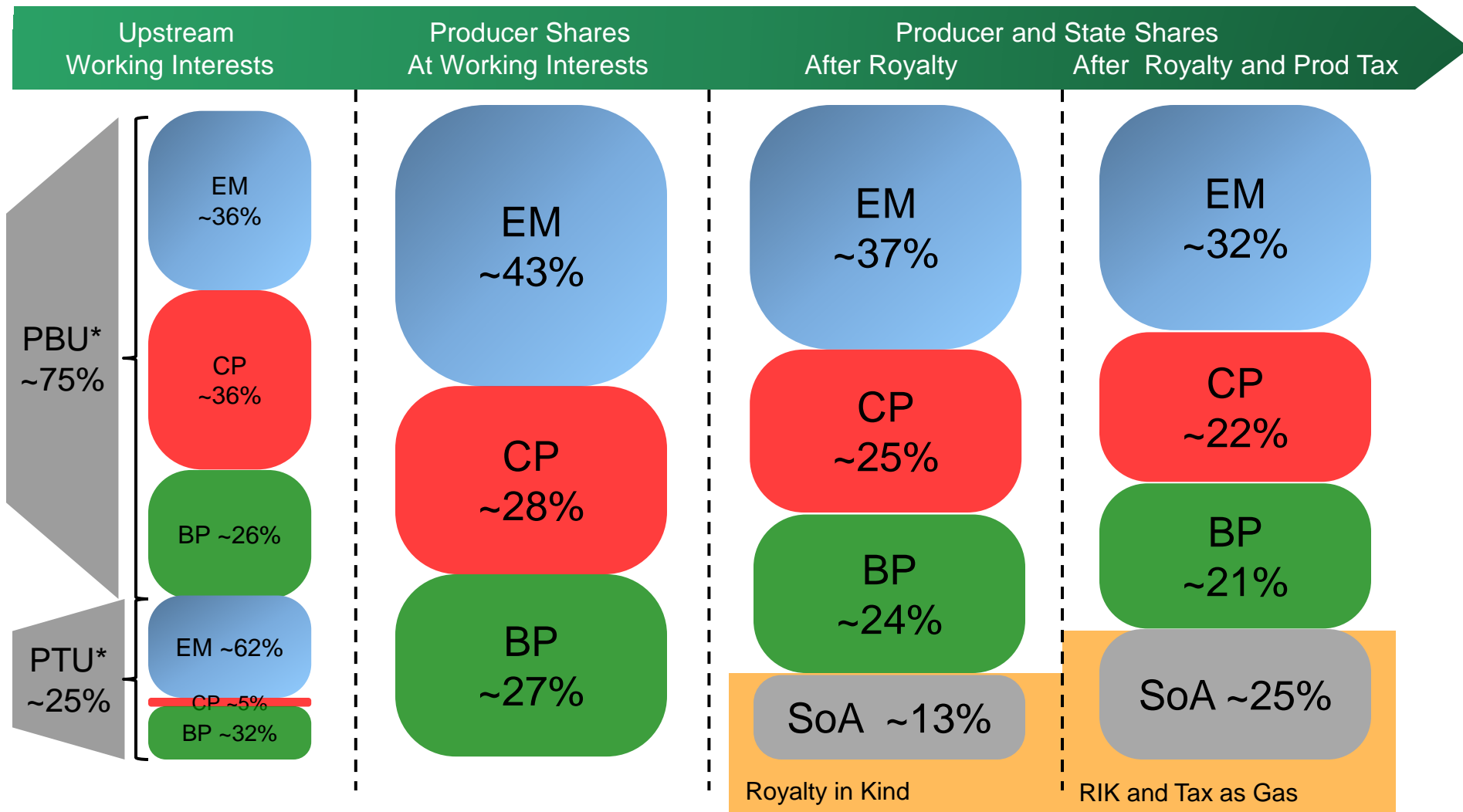
ConocoPhillips

AKLNG
Project
Pre-FEED

**Gas
Production**

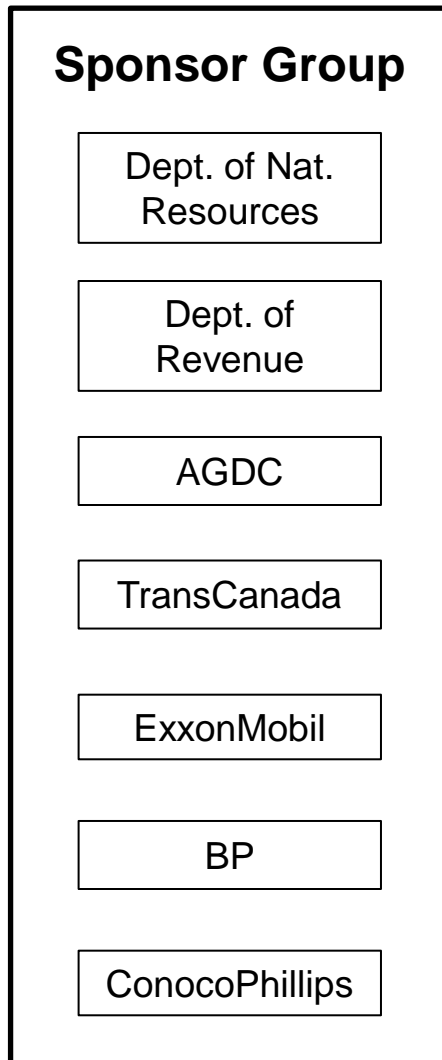
- Preparations for commercial natural gas production are underway at both Point Thomson Unit (PTU) and Prudhoe Bay Unit (PBU)
- Significant natural gas development required at PTU including drilling and gas handling facilities
- PBU would also require some new facilities
- Filed gas offtake authorization applications with AOGCC; hearings conducted on August 27 for PBU and September 1 for PTU

Gas Production



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

Alaska LNG Project Arrangements



AKLNG
Project
Pre-FEED

Gas
Production

Commercial

Drafting DNR applications

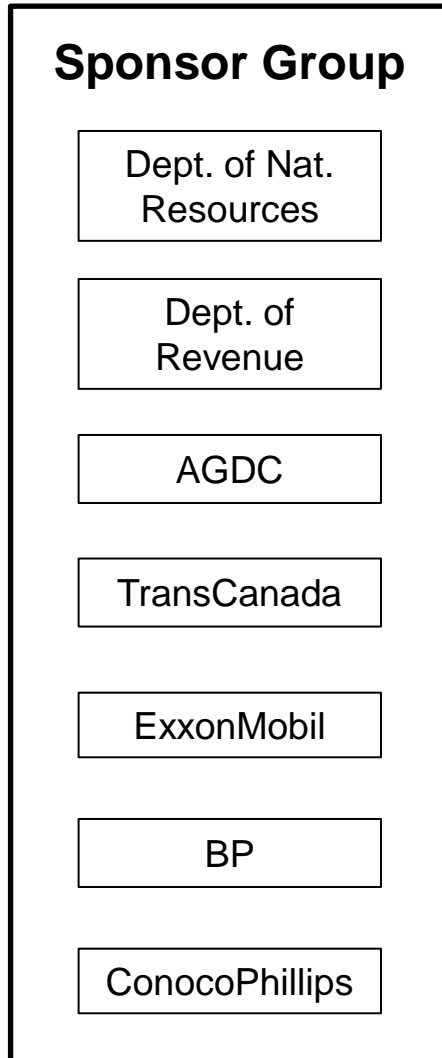
- SB 138 Lease Modifications to address RIK / RIV switching and PTU SSR / NPS leases

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

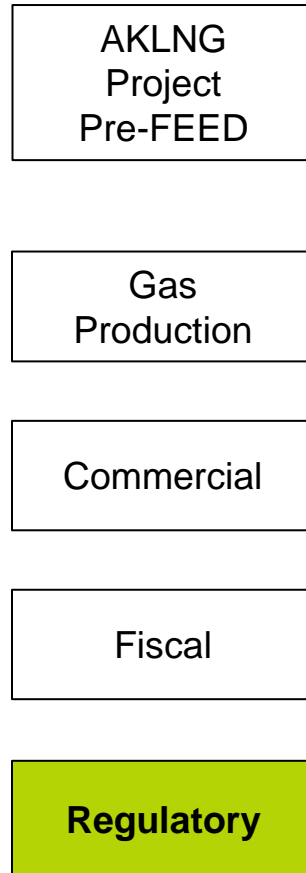
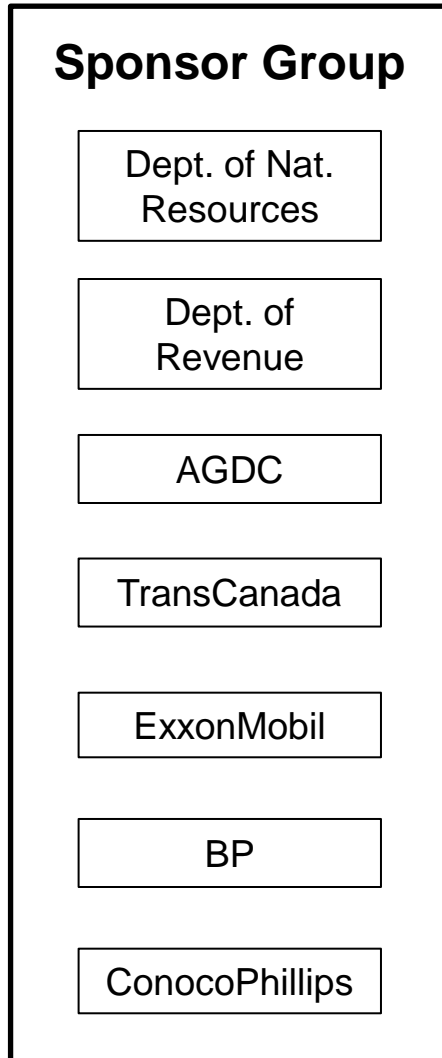
Commercial

Fiscal

Developing fiscal basis for the venture

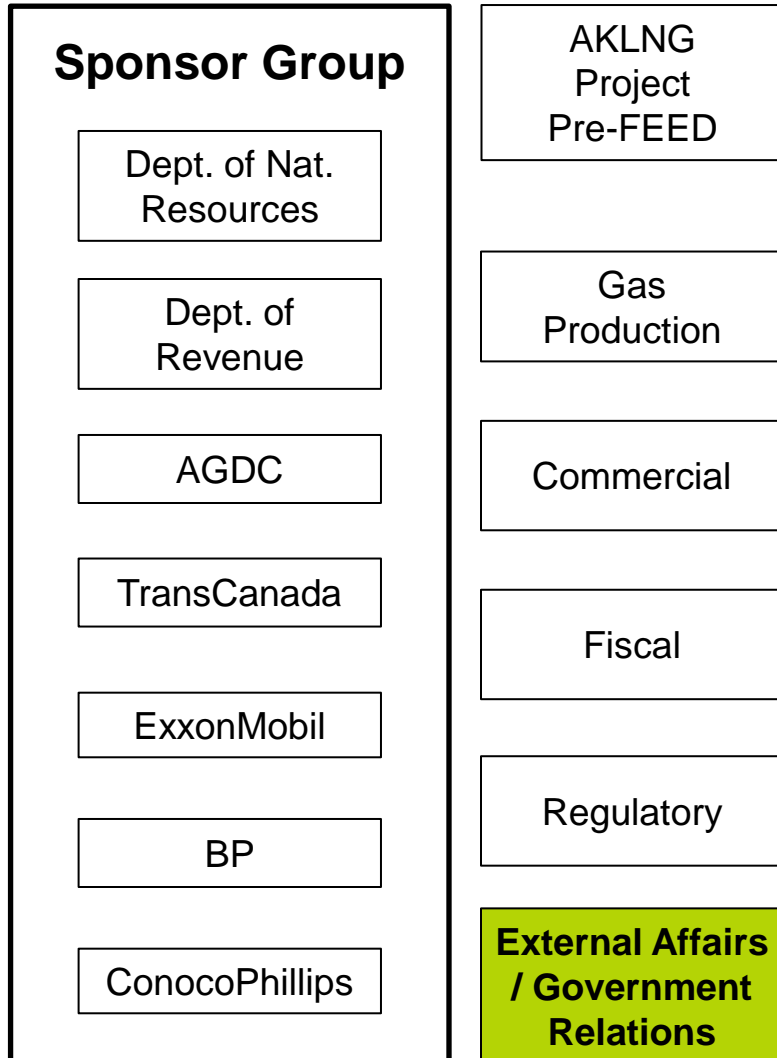
- Building on Jan 2014 HOA and SB 138
- DNR considering State Royalty in Kind
- Predictable and durable fiscal terms necessary for unprecedented scale, complexity and costs
 - Also required to compete in global energy markets
- Have aligned on constitutional amendment as vehicle to provide stabilization
 - 2/3rds legislative vote to place on ballot
 - Targeting November 2016 election
- Fiscal terms are a key enabler for the Project, and also with LNG Buyers, lenders and investors
- Legislative review and approval will be needed
- Seeking legislation to address property taxes
 - Tentative alignment reached on structure, subject to consultation with MAGPRB

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

Alaska LNG Project Update

- Key Accomplishments
 - Tentative alignment reached on structure, subject to consultation with MAGPRB
 - Flow Related Property Tax mechanism after startup
 - Impact payments during construction
- Remaining Challenges
 - Establish role of State as project participant
 - Midstream participation / funding / 2016 Pre-FEED WP&B approval
 - Timely completion of key commercial and fiscal contracts followed by legislative approval consistent with SB 138
 - Royalty decisions
 - Lease modifications
 - RIK election
 - Legislation for property taxes
 - Legislation to authorize public vote on constitutional amendment that provides durable / predictable fiscal terms

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, approved Constitutional Amendment

Regulatory

- DOE Export Authorizations Received, Progressing FERC NEPA Pre-File

External Affairs / Government Relations

- Broad support for Project