

HOUSE RESOURCES COMMITTEE

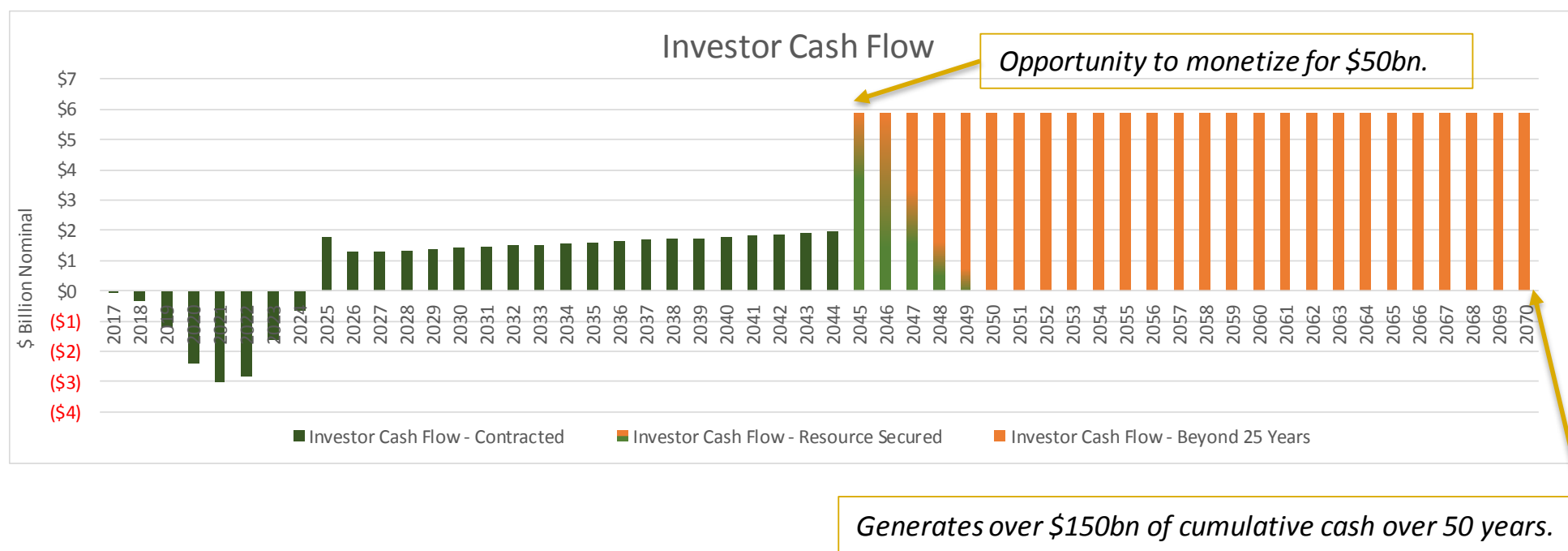
APRIL 14, 2017

- **Alaska LNG Update**
 - **Regulatory**
 - **Finance**
 - **Commercial**
- **Alaska LNG Milestones**
- **Marketing Efforts: Review**
- **Commercial Update**
- **Upcoming Activities**

- FERC Section 3 Application:
 - Met with FERC to discuss upcoming filing.
 - Majority of questions addressed; answers to be submitted in filing or to be filed during application review process.
 - Preparing to file formal application after AGDC April Board approval.
- State agencies:
 - Working to coordinate all state agency comments through DNR as point of contact.
 - Public awareness campaign set to commence April 20 and include community meetings across the state.
- Interviewing EPC contractors to assist with regulatory application and provide input on capital cost estimates.
- Finalizing negotiations for AKLNG LLC (land) purchase option.

ALASKA LNG UPDATE: FINANCE

- Preliminary modeling of finance structure indicates ability to compete in global arena at acceptable terms.
- Investor prospectus being drafted to demonstrate the competitiveness of the project and attractiveness of investment.
- Financial advisor selection process is underway; independent registered municipal advisor (IRMA) also to be retained via DOR.



Recent project awareness effort

- Alaska LNG Summit
- Gastech – Tokyo Japan
- China visit

Current commercial activities

- Follow-up with existing prospects;
 - Confidentiality agreements, data room access, LOI's
- Continue to raise awareness of project and correct misperceptions.
 - Capital cost less than \$45 Billion;
 - Potential for phased development;
 - Delivered LNG is very competitive.

Upcoming awareness and commercial activities

- Commence China and broader Asia-Pacific commercial plan.
- Implement capacity solicitation process.
- Progress drafting of detailed tolling contracts.

ALASKA LNG MILESTONES

	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>	
Regulatory/ Engineering	Engage EPC Lead Contractor		Regulatory support, capital cost and schedule validation						Lump sum turnkey estimate	
		File Sec. 3 Application				Draft EIS in Federal Register		Final EIS in Federal Register	FERC issues order authorizing AKLNG	
Commerical/ Financing	Select and engage Independent Registered Municipal Advisor, Financial Advisor			Financing plan, prepare debt and equity financing term sheets		Rating agency presentations	Debt Financing			
			Phase 1 equity			Phase 2 equity			FID	
		Initial customer engagement, confidentiality agreements								
			Capacity Solicitation for tolling capacity in Alaska LNG							
				Agreements for LNG/gas sales, North Slope gas, and tolling capacity						

Progress on all major commercial and financing contracts (“paperwork”) prior to procurement or construction activities.

Alaska LNG Summit:

- 23 International guests; 14 companies.
- Strong local support;
 - Warm welcome at every stop,
 - Speaker participation by many stakeholders,
 - Cost of event covered with sponsorships.

GasTech, Tokyo (week of April 3, 2017):

- LNG Summit follow up; individual meetings;
- Some new introductions

Upcoming Commercial Outreach Efforts

- Engage potential Chinese LNG buyers and investors.
- Preparation for CWC Beijing Conference (May 17-19, 2017).
- Preparation for CWC Americas Conference (June 20-22, 2017).
- Broader Asia-Pacific efforts.



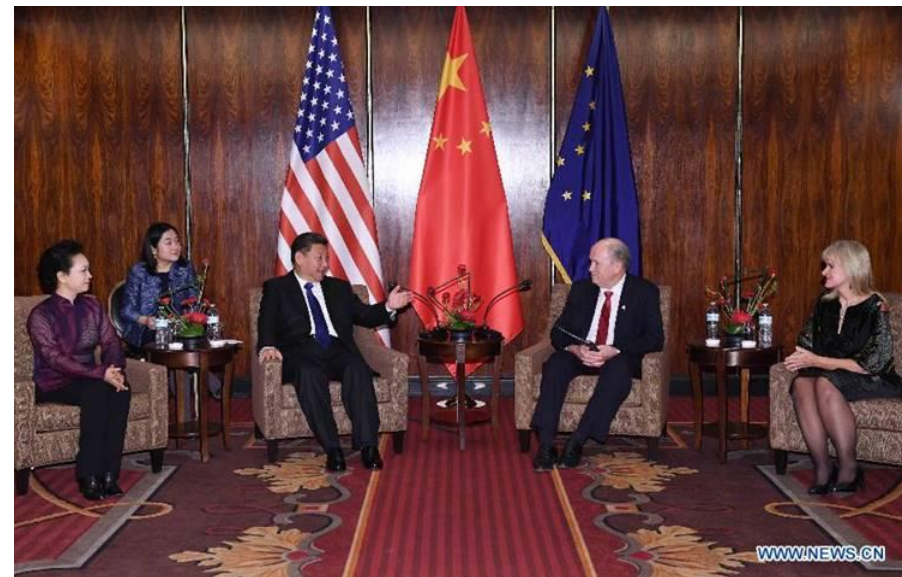
Phase 2: Prudhoe Bay



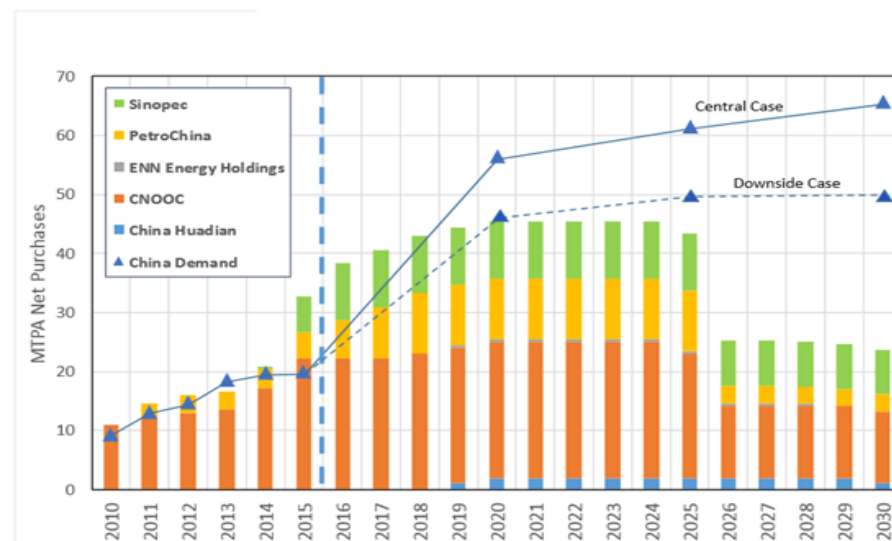
Sunshine: Kenai Peninsula

- Historic visit of Chinese President Xi.
- Alaska meeting followed meeting with President Trump.
- Learned of President Trump's positive statement regarding project to Chinese President Xi.
- Significant growth prospects for LNG.
- AGDC present at formal meeting and private dinner.
- Alaska LNG project was topic of major discussion.

**China President Xi tells Alaska “we have 100 years of LNG demand”;
Alaska tells President Xi “we have 100 years of supply.”**



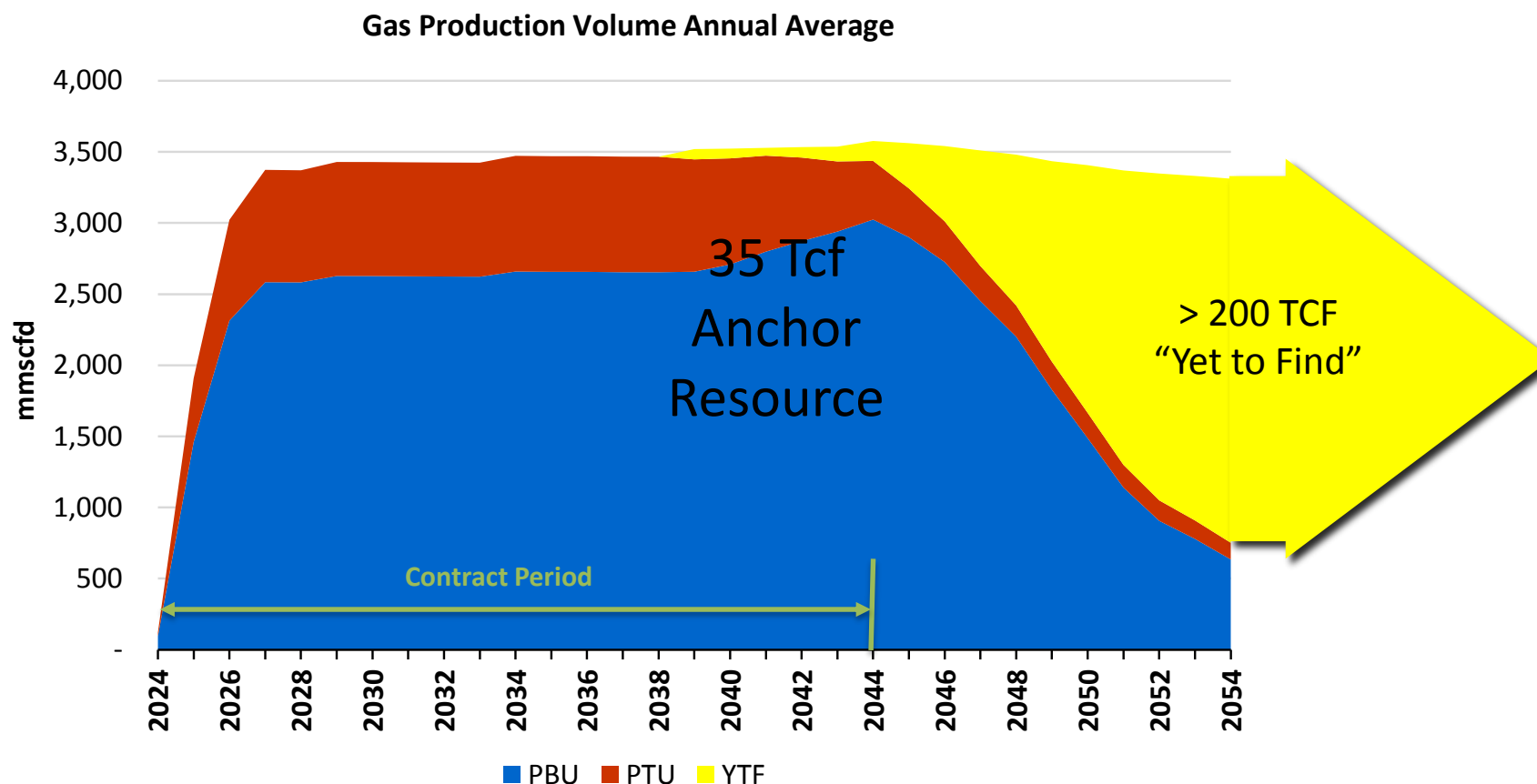
China LNG Demand and LNG Contracts



FINANCIAL AND COMPETITIVENESS UPDATE

LIEZA WILCOX, VICE PRESIDENT, COMMERCIAL AND ECONOMICS

ANCHORED BY SECURE RESOURCE

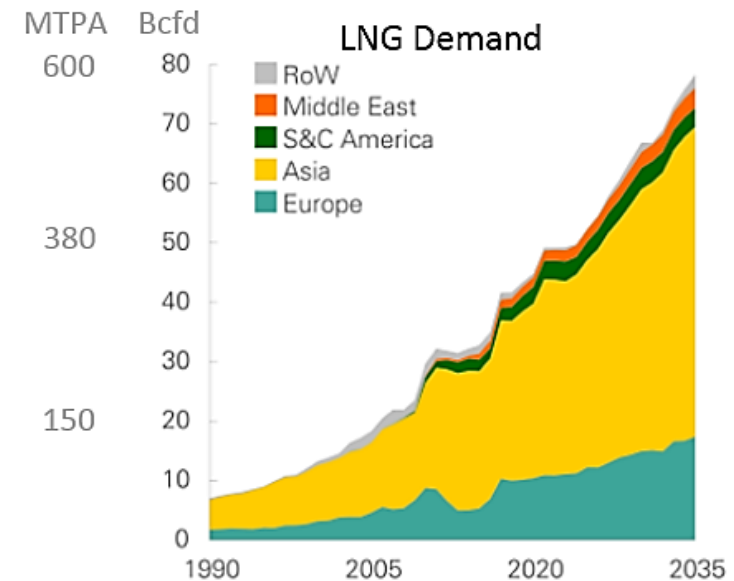


Note: Anchor Resource includes PBU (24.8 Tcf), PTU (8 Tcf), Other developed fields (1.8 Tcf)
For illustration purposes, Other developed fields are included under PBU as developed resources.

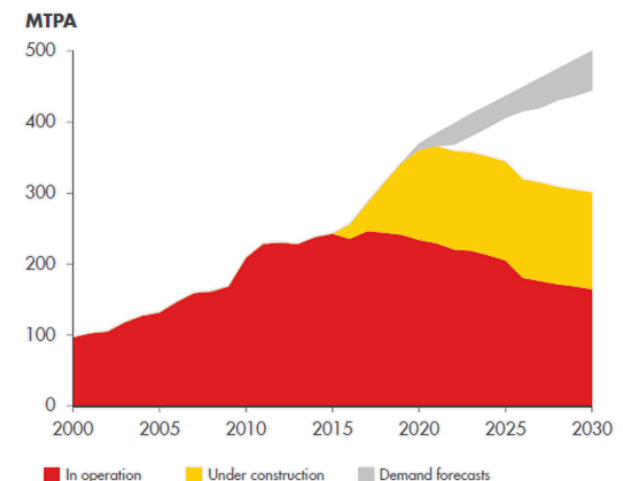
- Secure, known resources in Prudhoe Bay (PBU) and Point Thomson (PTU) anchor the project for 20 years and continue to anchor the project beyond 25 years.
- Even a ten percent success in Yet-to-Find discoveries would back-fill the spare capacity for another 25 years.

LNG Demand is Growing

- New sources of LNG will be needed at the same time Alaska LNG starts operation.
- Most new demand will be in Asia where Alaska LNG has a geographic shipping advantage.
- Competition from projects across the globe:
 - **US Gulf Coast:** numerous projects underway and planned.
 - **Canada / Pacific Northwest:** Complex land, access and regulatory issues have caused delays.
 - **Russian Arctic:** First icebreaker class LNG vessels undergoing sea trials.
 - **East Africa:** Coral Floating LNG moves toward final approval with BP buying the offtake.
 - **Oceana:** Cost overruns have plagued Australia as Papua New Guinea moves toward expanded capacity.

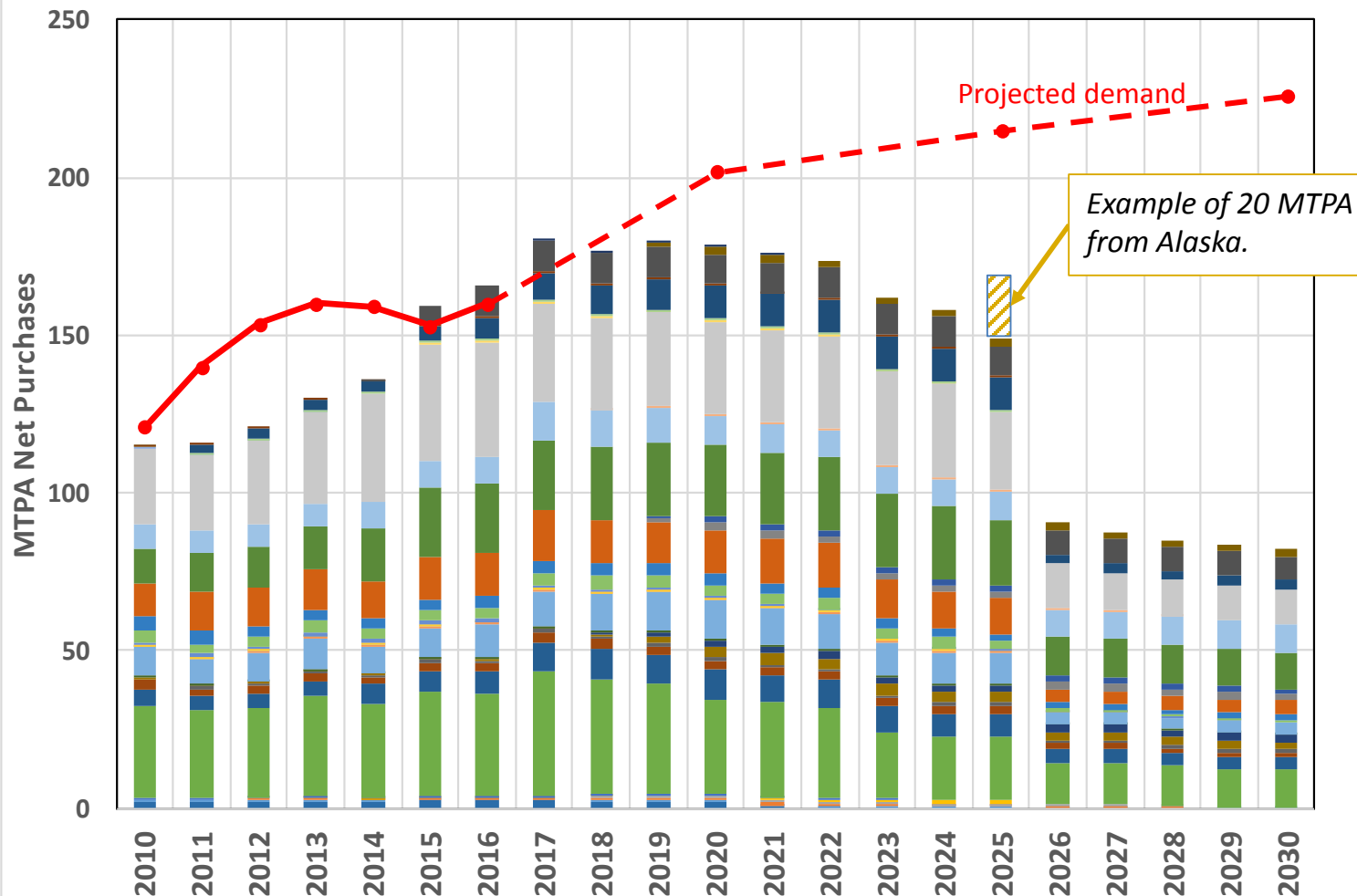


LNG market balance



ASIA LNG CONTRACTS EXPIRING MID-2020'S

Japan, Korea, Taiwan, China LNG Contracts and Demand

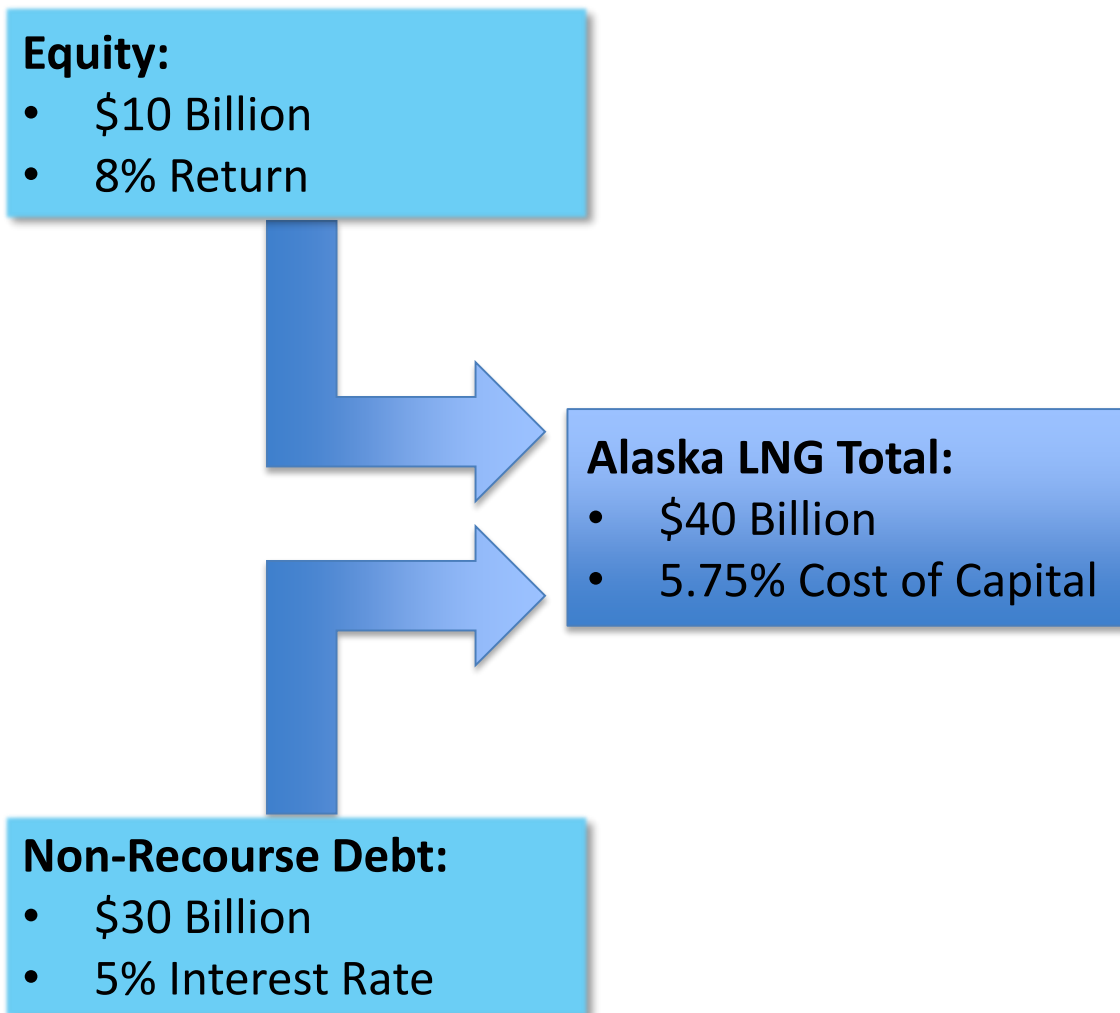


Note: Colored bar segments represent individual Asian LNG buyers

Source: Global NatGas Advisors LLC Analysis

- Market opportunity for Alaska LNG exists across Asia.
- Existing contracts expire in the same timeframe as a projected global shortfall in LNG supply.
- Japan, Korea, Taiwan and China together have contracted supply gaps of over 70 MTPA by 2025.
- Global demand grew 7.5% in 2016, with Japan, Korea, Taiwan and China collectively up 4.6%.

ALASKA LNG CAPITAL STRUCTURE



Alaska LNG is a \$40 Billion Project

- 25% Equity investment.
- 75% Non-recourse debt.

\$10 Billion Equity Investment

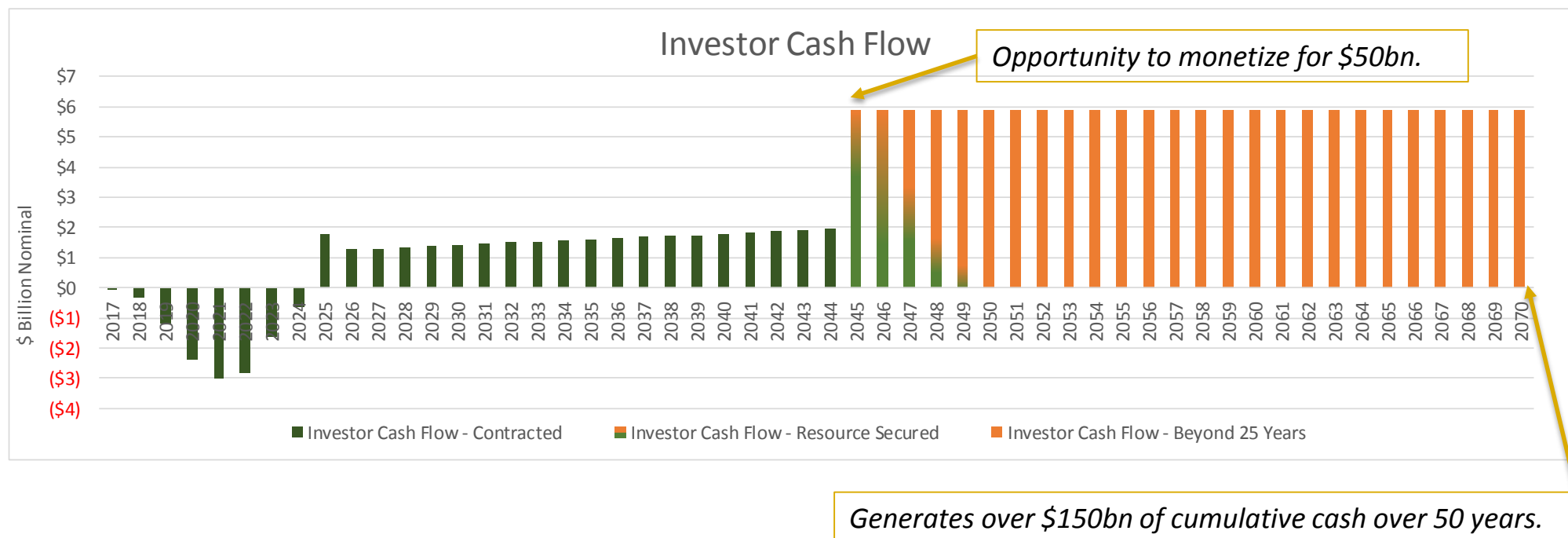
- Opportunity to earn 8% return on equity through initial period.
- State of Alaska has the opportunity to invest.

\$30 Billion Non-Recourse Debt

- Non-recourse debt backed by long-term contracts.
- Does not create a liability for the equity owners.

Note: Project may be phased to further reduce the initial capital requirement.

All values are USD 2017 Real

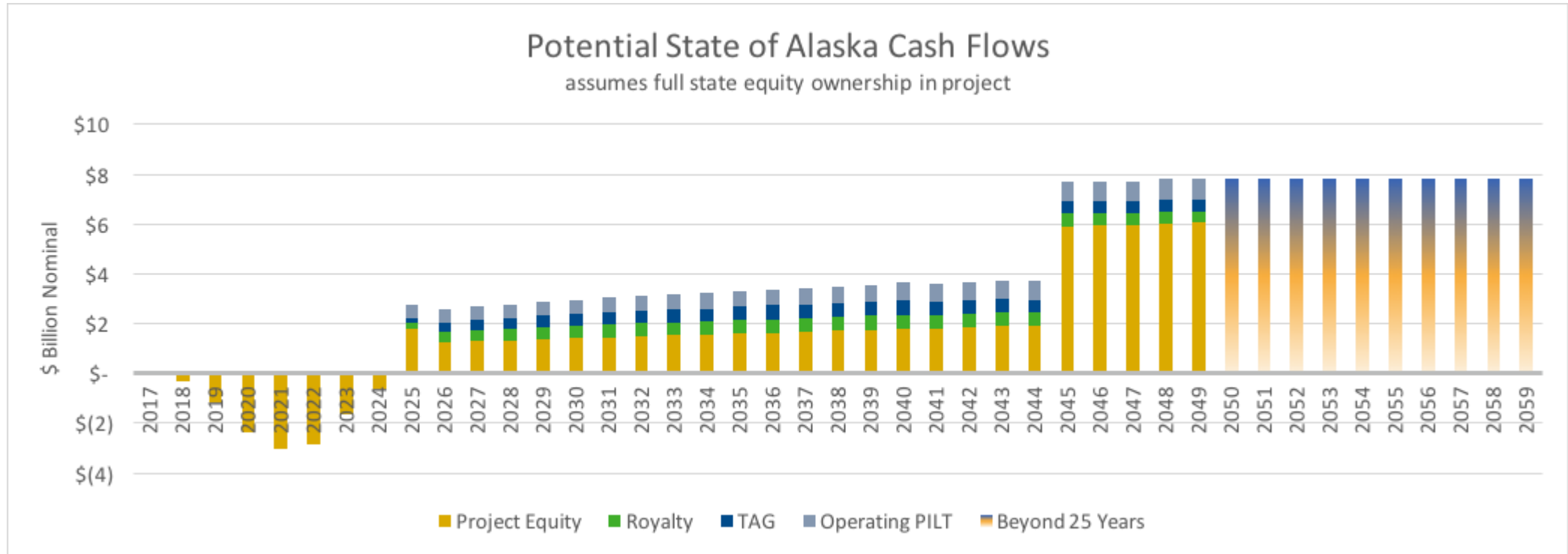


Contract Period

- A 20 year firm contact period.
- Acceptable return on investment.
- Secured by “ship or pay” terms.
- Approx. 25 TCF of gas.

Beyond Contract Period

- Debt paid off during contract period releasing more revenue to equity owners
- 30 TCF (10 TCF of known, 20 TCF of YTF) needed to operate an additional 25 years – 10% of potential YTF.
- Asset Value at 2045 could be \$50bn.
(Assumes 10% return over following 20 years, same tolls and volumes)



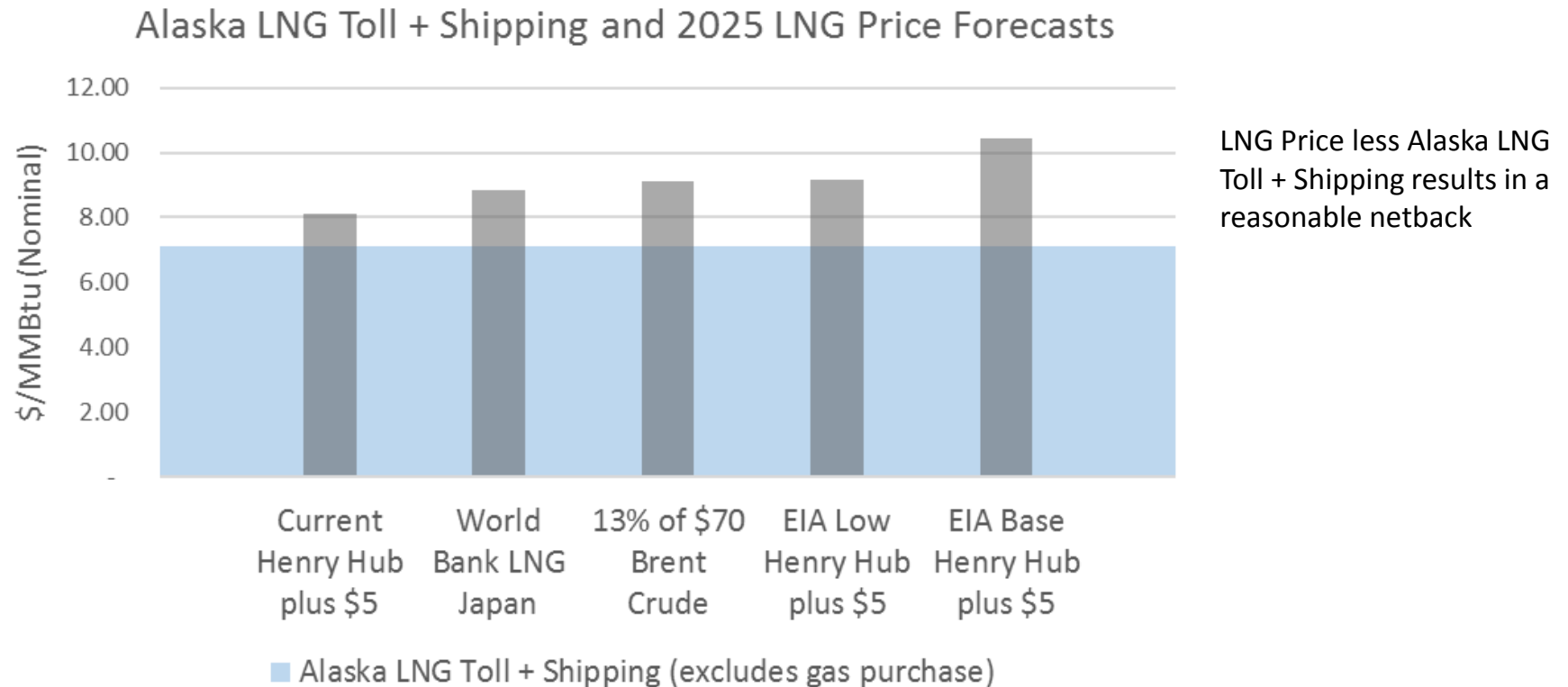
Equity-only ROE:

- 8% through initial period
- 10% life of project

Equity ROE plus RIK/TAG and PILT:

- 13% during initial period
- 15% life of project

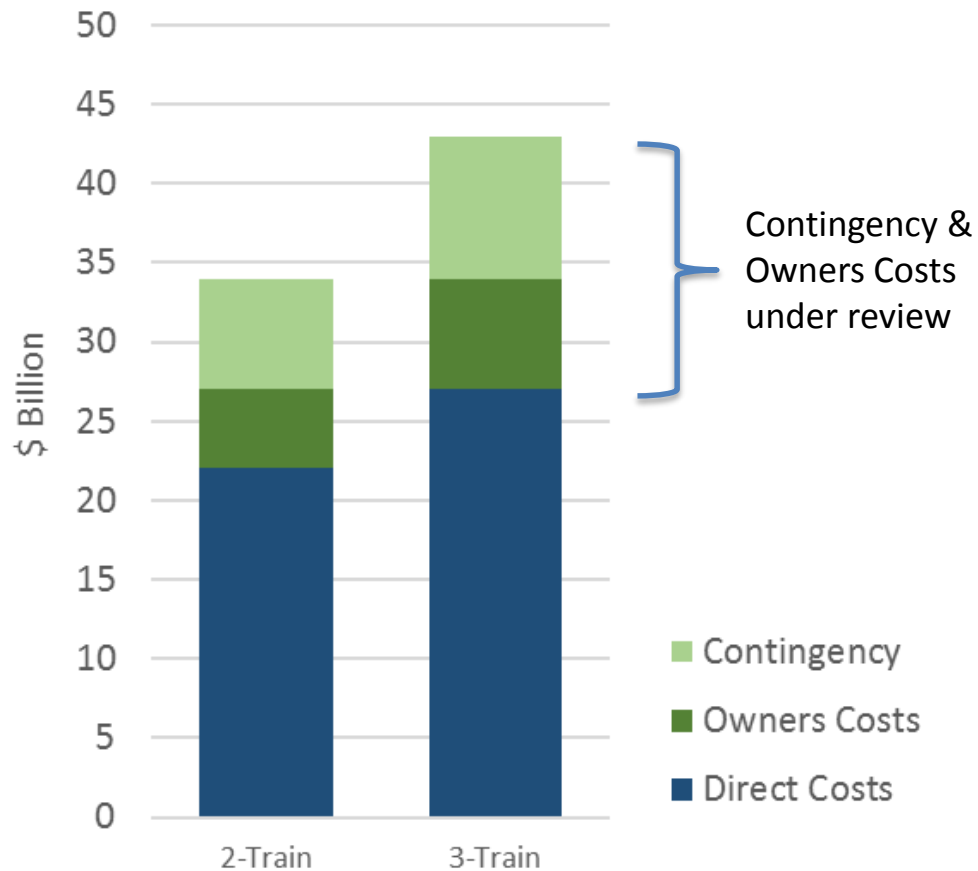
ALASKA LNG IS COMPETITIVE



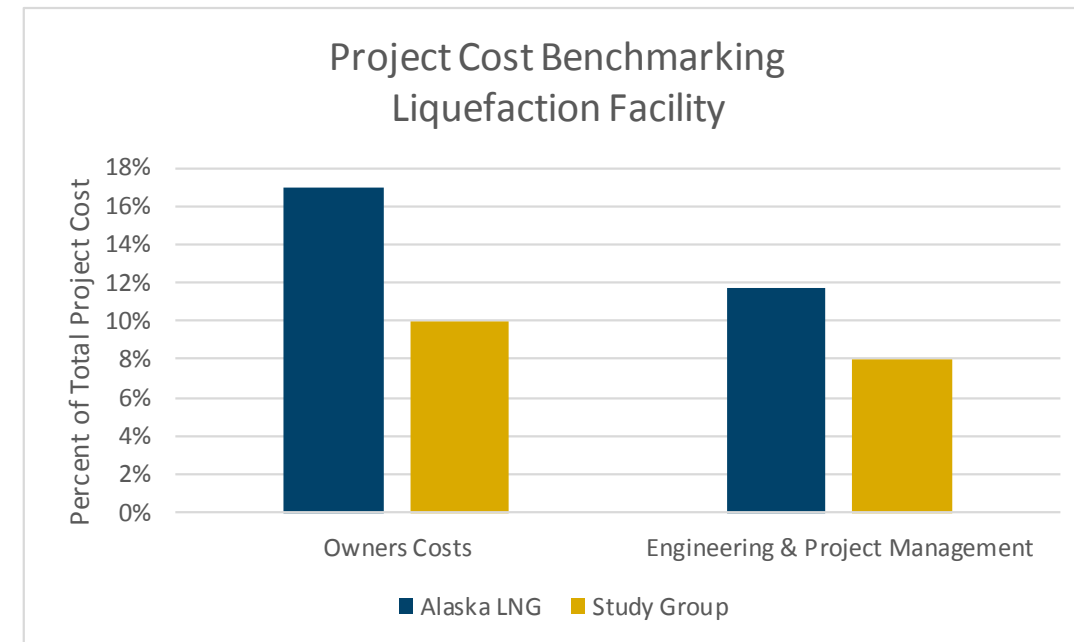
- Alaska LNG toll and shipping costs are below market prices to deliver a reasonable netback.
- North Slope gas supply is stranded and not connected to other markets.
- The larger the difference between LNG market price and delivery costs (Alaska LNG tolls + shipping) the more potential profit for project participants.

POTENTIAL TO REDUCE CAPITAL COST

Capital Costs by Component



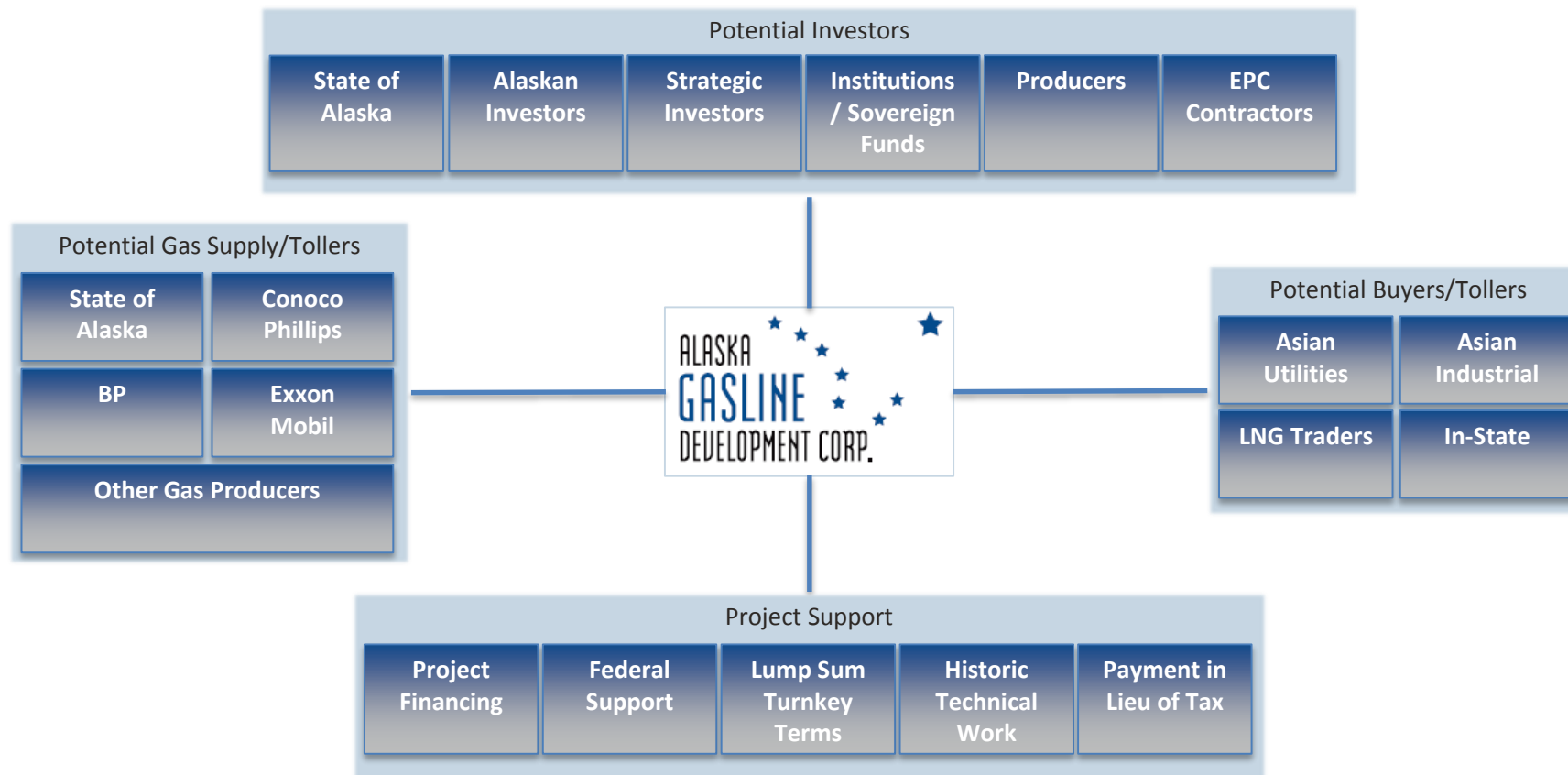
The potential to phase the project, first building a two-train system, expandable to three trains, reduces the exposure to investors.



Contingency and Owners Costs (including Engineering and Project Management) are being benchmarked and further reviewed, with early indication of potential for reduction.

Study Group Source: Oxford Institute of Energy Studies

AGDC BRINGS THE PIECES TOGETHER



AGDC is positioned to act as a developer, pulling together:

- Appropriate allocation of risk.
- Ability to attract a wider range of investors.
- A stronger focus on the Asia market.
- Best in class project management approach through engagement with Engineering, Procurement, Construction (EPC) firms to manage construction risk.

RECAP: THE ALASKA LNG PROJECT IS

Needed

- The Asian market will experience a contracted supply gap within 7 years.
- Alaska LNG is well positioned to target this supply deficit.
- Alaska LNG provides large, long-term cash flow to Alaska with the potential to sell down equity after financing period.

Competitive

- Alaska is able to deliver LNG at a competitive price and high value to customers.
- Alaska LNG can provide stable, predictable and competitive long-term returns.
- The ability to phase the project reduces both the risk and the exposure.

Achievable

- Allows for introduction of infrastructure investors and provides tax efficiency.
- Project finance structure is proven, most recently with Lower-48 LNG projects.

- **File FERC Section 3 application.**
- **Finalize AKLNG LLC purchase option agreement.**
- **Engage EPC company to assist with regulatory and construction cost and schedule validation.**
- **Continue interface with Japanese and Korean companies and global LNG trading organizations.**
- **Prepare for China and broader Asia-Pacific initiative.**
- **Engage financial advisor.**
- **Continue to advance potential US support.**

**** End ****

QUESTIONS?