

Alaska LNG Project Update

Senate Resources Committee

Frank Richards, President
March 22, 2021



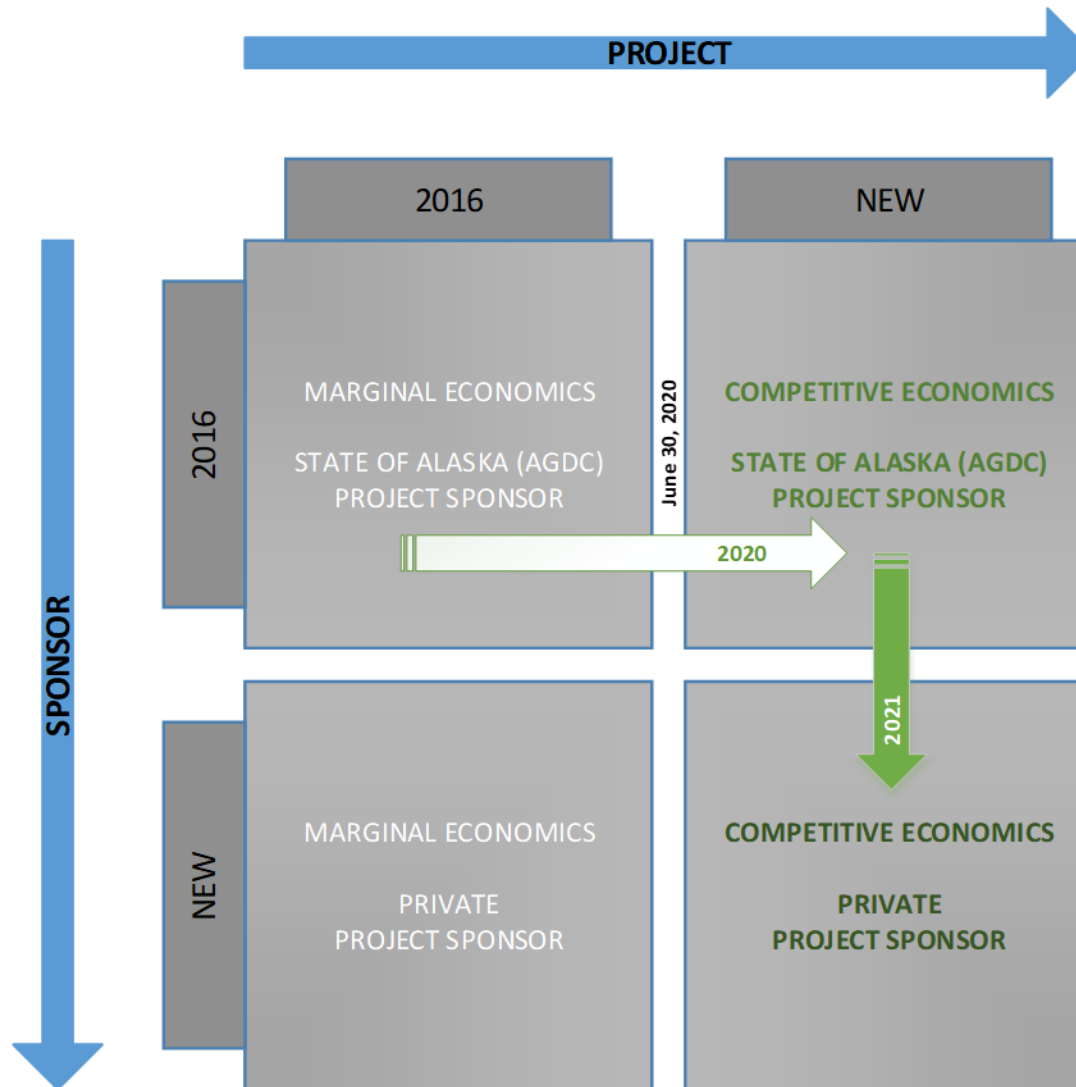
The Alaska Gasline Development Corporation (AGDC):

- Independent, public corporation owned by the State of Alaska
- Created by the Alaska State Legislature
- Currently lead party for developing the Alaska LNG Project

Goal: Maximize the benefit of Alaska's vast North Slope natural gas resources through the development of infrastructure necessary to move the gas to local and international markets.

- **2010** - HB 369 instructed AHFC to conduct a pre-feasibility study of a small diameter pipeline from the North Slope to Fairbanks and south-central Alaska.
- **2013** - HB 4 created the Alaska Gasline Development Corporation (AGDC) in AS 31.25, giving broad powers and funding to advance the Alaska Stand Alone Pipeline Project (“ASAP”).
- **2014** - SB 138 gave AGDC authority to represent the SOA in the LNG terminal of the Alaska Liquefied Natural Gas Project (“Alaska LNG”).
- **2016** - State of Alaska bought out Trans Canada and AGDC was granted the entire 25% SOA share in AKLNG.
- **2016** - Pre-Front End Engineering and Design (“Pre-FEED”) was completed and the Producers, based upon the economics resulting from that work, stepped aside to allow AGDC to continue working the project.
- **2017** - AGDC assumed 100% ownership of Alaska LNG Project.
- **2020** - FERC granted AGDC authorization to construct Alaska LNG Project.

AGDC's Strategic Plan Objective

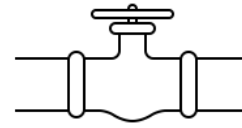
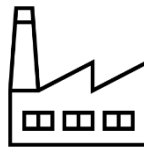


Proposed Commercial Structure

The project will have a non-integrated structure to attract a broad range of potential investors by allowing investors to target specific asset classes, and risk return profiles.



Will unlock otherwise stranded gas for upstream investors



Infrastructure investors can focus on the GTP and Pipeline



LNG offtakers can focus on the Liquefaction Plant

Key Benefits

- | | | |
|--|---|--|
| <ul style="list-style-type: none">• Market for significant gas resource which would otherwise be stranded. | <ul style="list-style-type: none">• Low risk, long life assets.• Credit worthy counterparties.• Long terms capacity agreements.• Experienced operator. | <ul style="list-style-type: none">• Fixed price LNG with no commodity price risk.• Low exposure to shipping costs.• Excellent location to enable portfolio swaps and optimisation. |
|--|---|--|

- Advancing the structure and leadership of the project with Strategic Parties consisting of:
 - North Slope producers
 - A major pipeline developer
 - LNG buyers
 - Banks and financial corporations
- These parties have the technical and financial capacity to bring this project to completion.
- Strategic parties have a combined market capitalization of \$1.25 trillion.
- New potential strategic parties with significant market capitalization have approached AGDC.



Completed cost reduction process

- Updated capital cost assessments, identifying \$8.5 billion of cost reduction from previous estimates (2015).
- Successfully passed economic stage gate.



Received necessary approvals

- Department of Energy export authorizations for both Free Trade Agreement and Non-Free Trade Agreement countries.
- Federal Energy Regulatory Section 3 authorization in place to build the facilities.
- Alaska Oil and Gas Conservation Commission gas offtake approval for 3.6 Bcf/d.



Continued engagement and support from the Government

- Ongoing engagement at both State and Federal Government, maintaining continued backing for the project.

Building a world-class partnership

Upstream/Gas Production/Processing



- Highly supportive upstream parties.
- Indicative terms for gas supply agreed.
- Upstream parties may participate in plant but not as operator.

Pipeline



- Participation of leading North American pipeline company.
- Strong interest from infrastructure funds.

Offtake



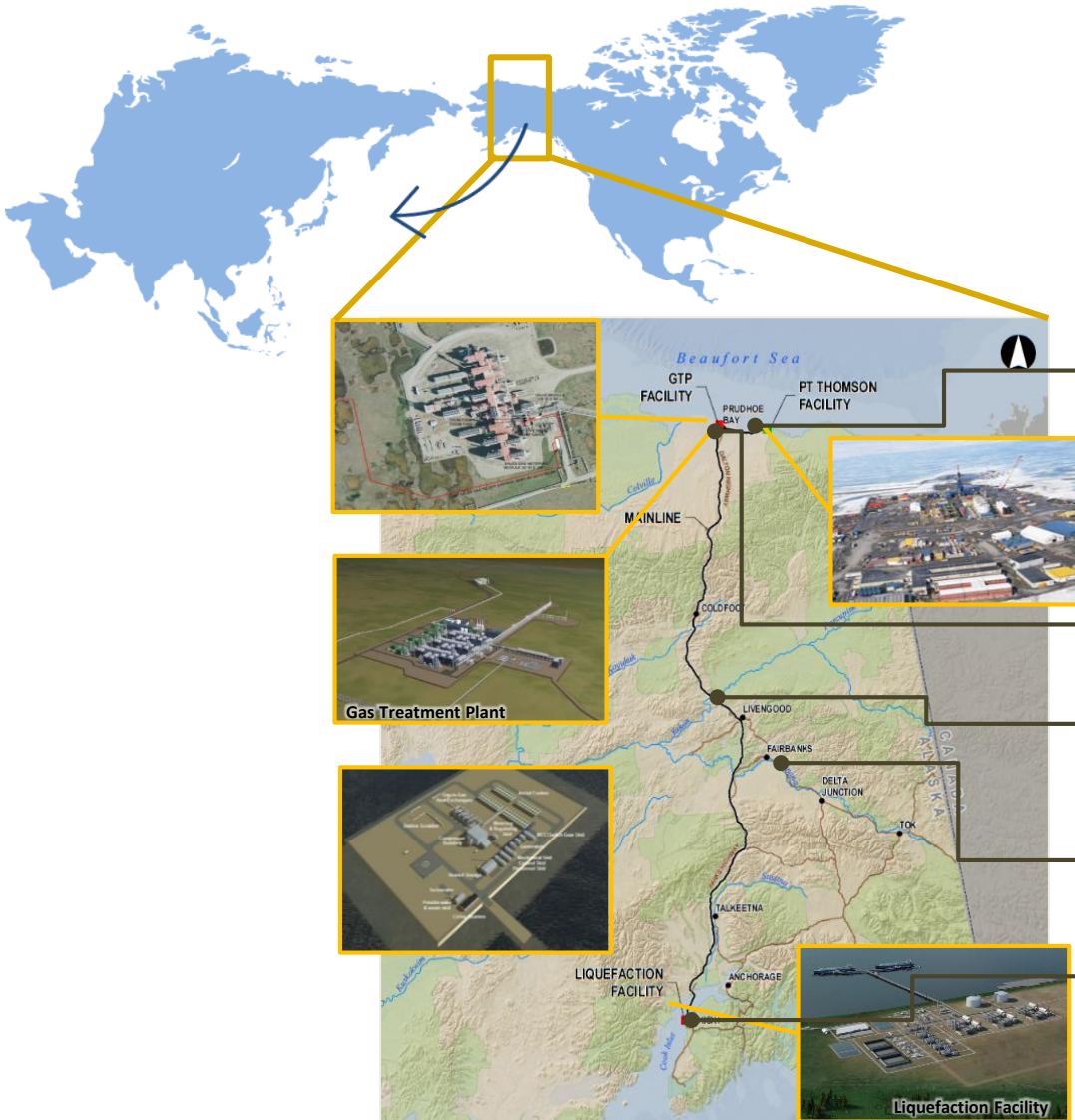
- Participation of major Asian LNG buyer secured.
- Strong interest from other Asian LNG customers.

Project Lead & LNG Plant operator



- Seeking world leading LNG project developer to take lead role.
- Informal process for a select few invited companies.

Alaska LNG Project – Overview



Gas Production

Project anchored for 20 years by 34tcf of discovered conventional North Slope associated gas from Prudhoe Bay and Point Thomson

100tcf of prospective conventional resource could give 50+ years of feed gas

Gas Processing

A new gas treatment plant (GTP) will be located at the North Slope

Pipeline

807 mile pipeline with 3.3 bcf/d capacity

In-State sales

Gas will meet the needs of local markets, reducing use of highly polluting fuels in interior Alaska

Liquefaction & Storage

20mtpa

2 x 240,000 m³ LNG Storage Tanks

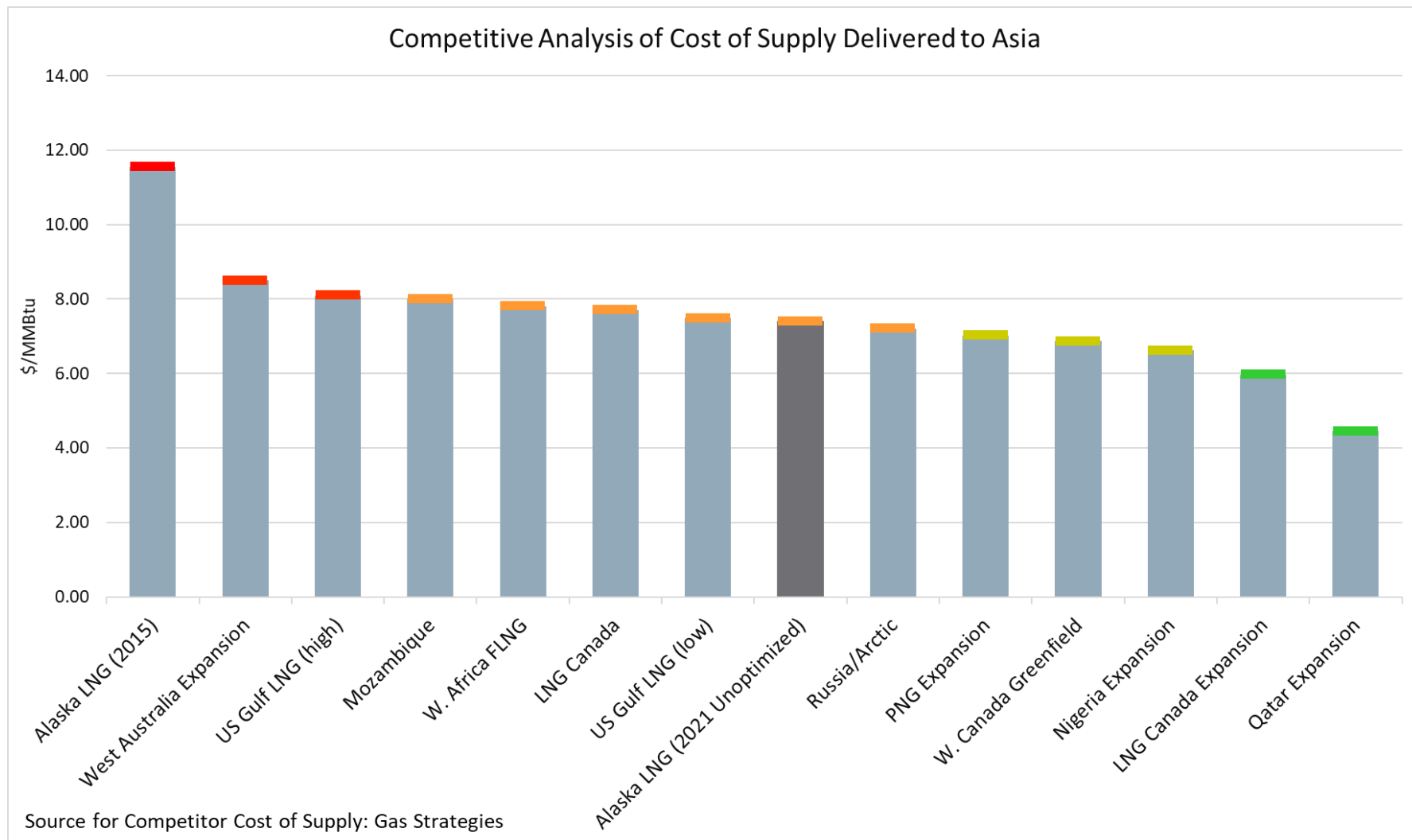
Expected to export 15-20 cargoes per month

- Completed
 - Federal Energy Regulatory Commission (FERC) Final Environmental Impact Statement and Section 3 Order.
 - Federal ROWs: Bureau of Land Management, National Park Service.
 - All 36 Major Federal permits & authorizations completed.
 - Alaska DEC Air Permit for the Gas Treatment Plant (GTP).
- In Process:
 - Alaska DNR State Land ROW Lease.
 - Alaska DEC Air Permit for the Liquefaction Facility.
 - Cultural Resource Management Plan.

Cost Reduction Work Program

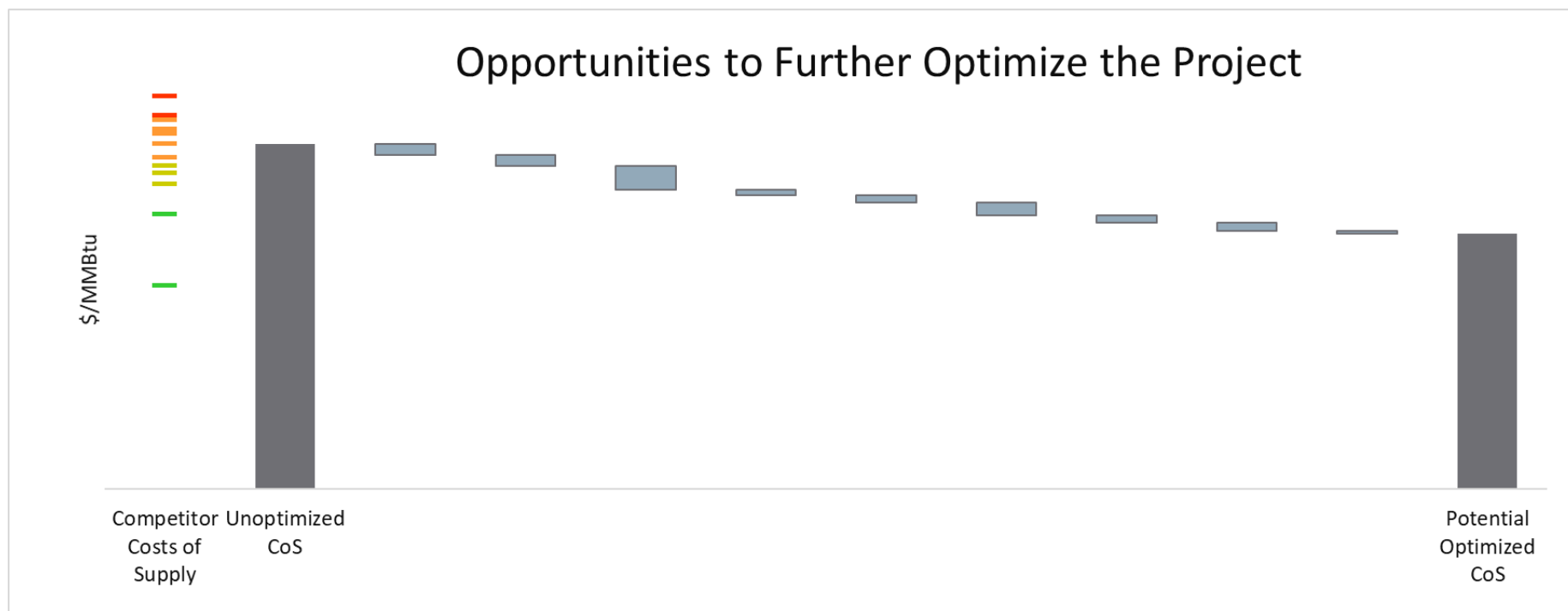
- AGDC analyzed and updated the total capital and operating cost projections of the AKLNG project from the 2015 Joint Venture Agreement estimates.
- AGDC worked with senior engineers and project management professionals from BP and ExxonMobil to review original cost estimates and concluded that, with changes in the industry, costs could be reduced significantly.
- AGDC contracted with Fluor Corporation to evaluate cost reduction opportunities and update the Class 4 Cost Estimate.
- Updated Class 4 Cost Estimate with input into project economic model developed with input from BP, ExxonMobil, DOR, and an investment bank.
- Outcome was decision by Board of Directors that Alaska LNG Project is commercially and technically viable.

Alaska LNG Competitiveness



To optimize the project, these issues need to be addressed:

1. Property tax, or “Payment in Lieu of Tax”
2. Fiscal Stability



Alaska Will Need to Address Two Hurdles

Fiscal Stability

- It is difficult to imagine a scenario where the private sector would invest \$38 billion, when any future legislature can essentially change contract terms at any time.
- Most other resource owner states are able to offer a Fiscal Stabilization Clause.
- Compounding this issue is the fact that the State can change it's election for royalty and tax between "in-kind" and "in-value" – this project relies on long-term, 20+ year contracts to work and that requires fiscal stability.

Payment in Lieu of Tax (PILT)

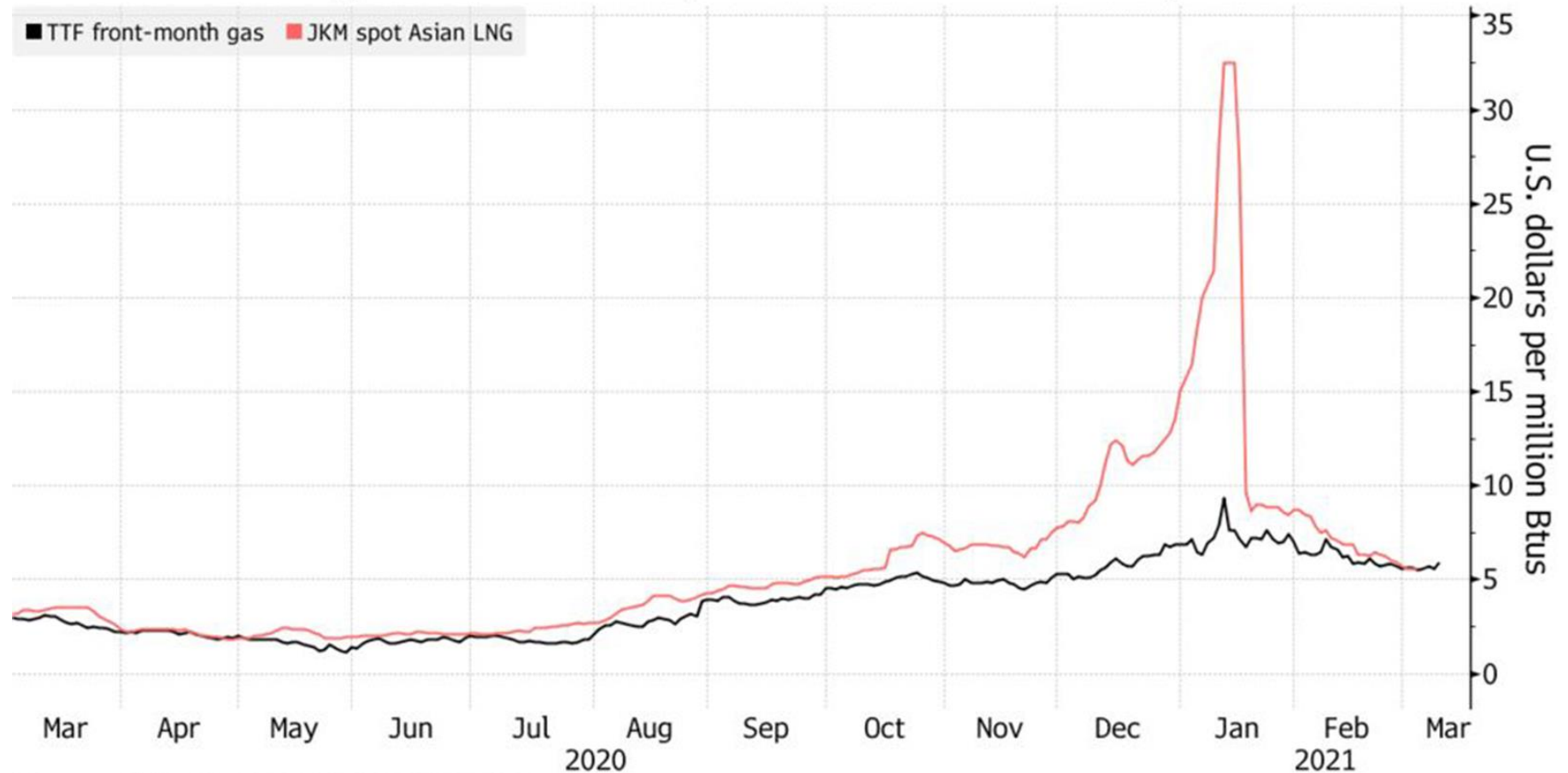
- Property tax for project is an order of magnitude higher than other projects in North America (\$0 – 50 MM p.a.).
- Competing projects globally don't pay property tax, or it is back loaded in the project life.

And ultimately decide on level of participation

State Participation

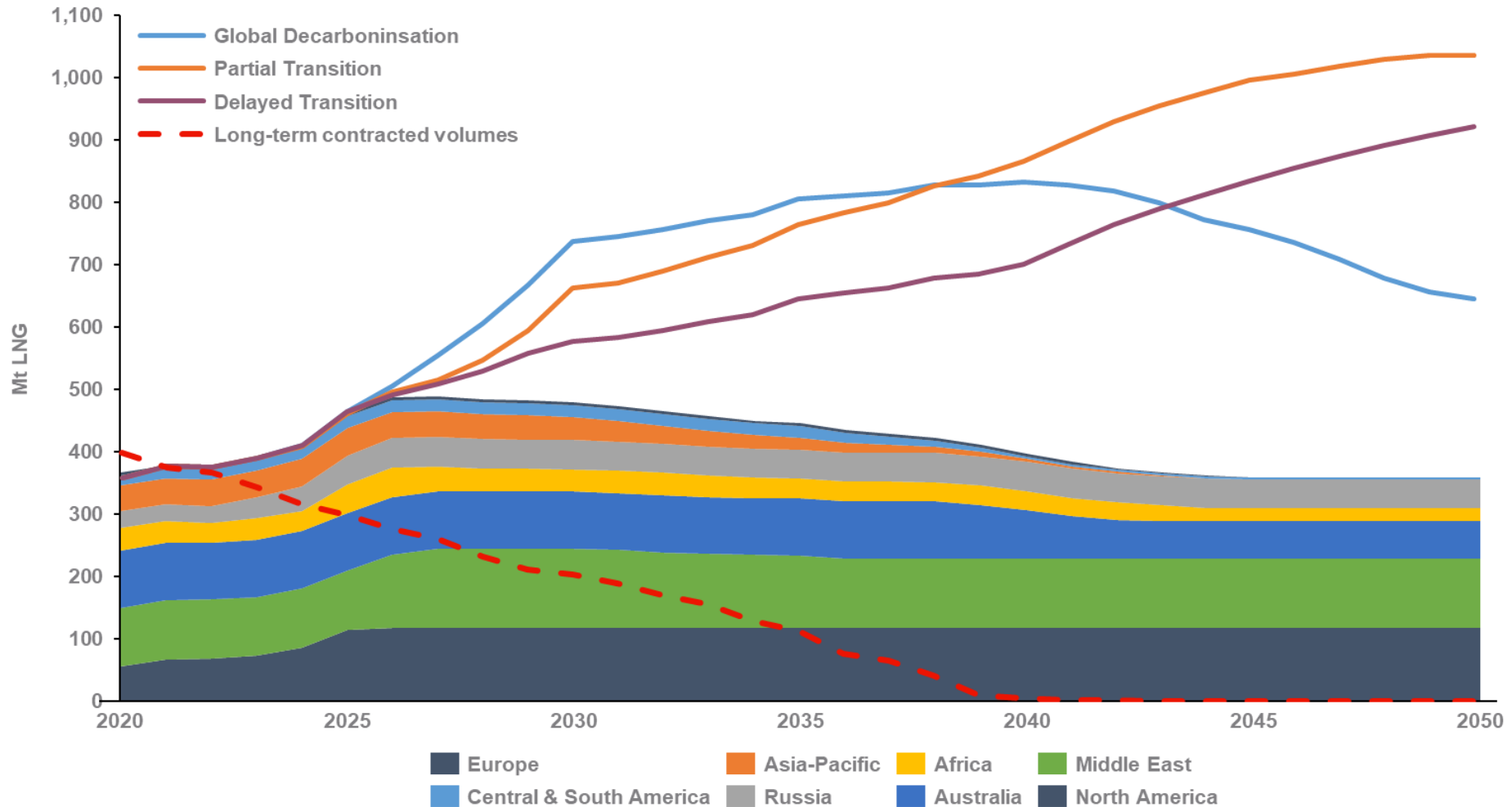
State equity participation can help facilitate the project.
State participation helps create alignment between the state and the project.
It is not uncommon for to see sovereign ownership in infrastructure.
The State should only have a minority stake and not an operatorship role.
Equity participation will also increase the State's take from the project.

Asia's January LNG Price Spike Echoed in Europe



Source: S&P Global Platts, EDX-ICE Index

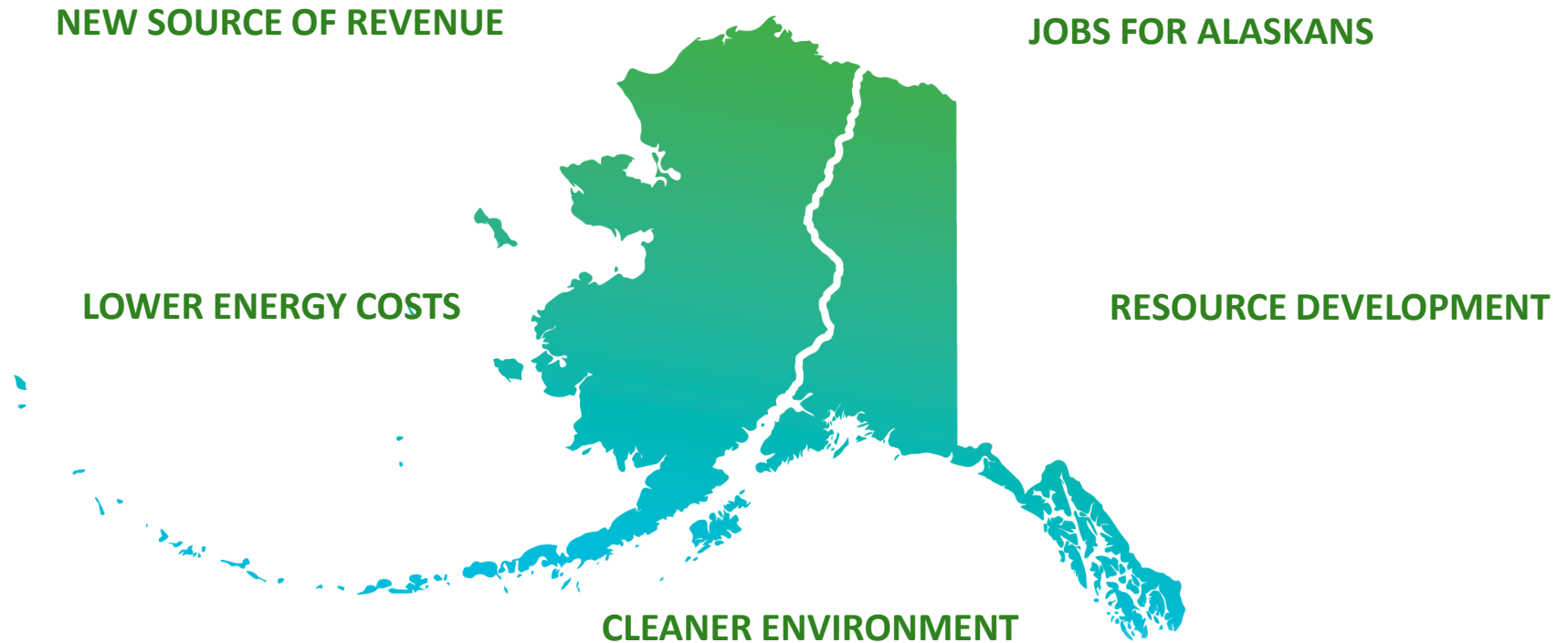
Global LNG Supply and Demand



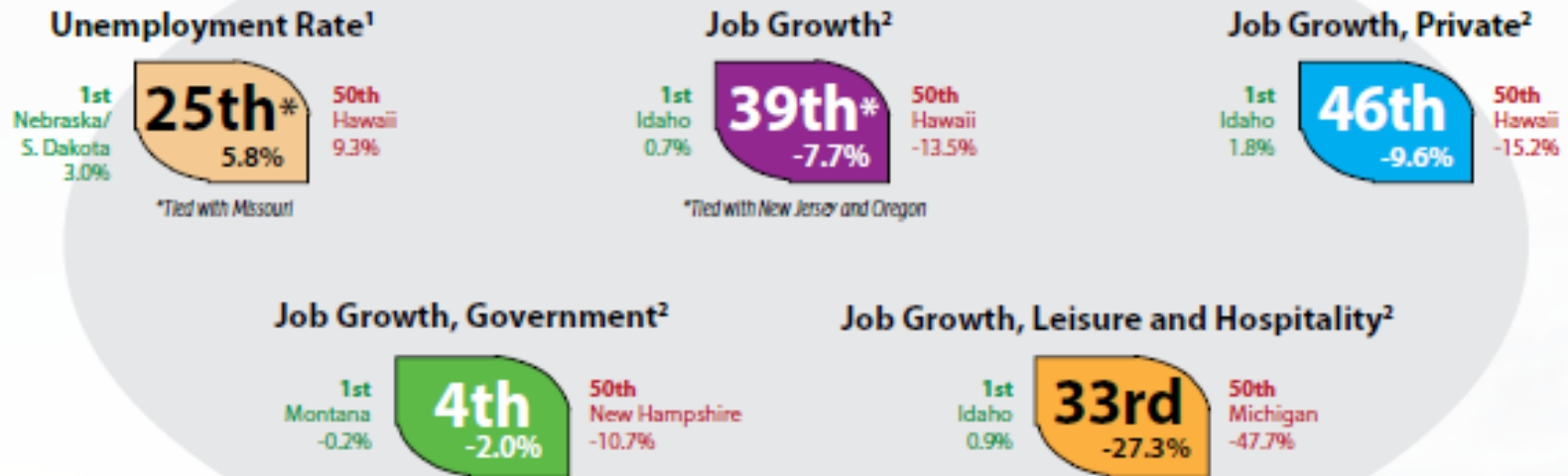
Source: Gas Strategies, March 2021

- On February 8th, the Department of Energy projected that coal and natural gas will still contribute nearly 40% of U.S. electricity generation in 2050.
- Wind and solar power energy sources will increase but they aren't ready to meet the huge demand for electricity without fossil fuels and nuclear power in the mix.
- China is the world's biggest polluter, generating 28% of the planet's yearly carbon dioxide emissions.

Alaska LNG Project – Positive Impacts



How Alaska Ranks



Note: Government employment includes federal, state, and local government plus public schools and universities.

¹December seasonally adjusted unemployment rates

²December employment, over-the-year percent change

Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

Phased Approach to Alaska LNG

Governor Dunleavy and the AGDC Board support a phased approach to Alaska LNG

- The phased project would start with a \$5.9 billion pipeline to Fairbanks.
- Constructing the pipeline segment to Fairbanks will provide energy for Alaskans and significantly de-risk Alaska LNG.
- The first phase is expected to be predominantly funded by Federal stimulus investments and progress President Biden's low-carbon initiatives.

U.S. clean energy infrastructure initiative that will resolve longstanding climate, pollution, and energy problems affecting vulnerable rural populations and strategically located Department of Defense installations.

ANCHORAGE DAILY NEWS

Opinions

It's time to build an Alaska natural gas pipeline

Author: Mike Dunleavy | Opinion Updated: 17 hours ago Published 17 hours ago



The ExxonMobil facility at Point Thomson on Alaska's North Slope. (Business Wire)

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We're on the cusp of a generational dream: construction of a gas line from our stranded gas fields in the North Slope to the road system in Alaska. As the world turns toward clean fuels like natural gas and renewables, this is Alaska's time to think big.

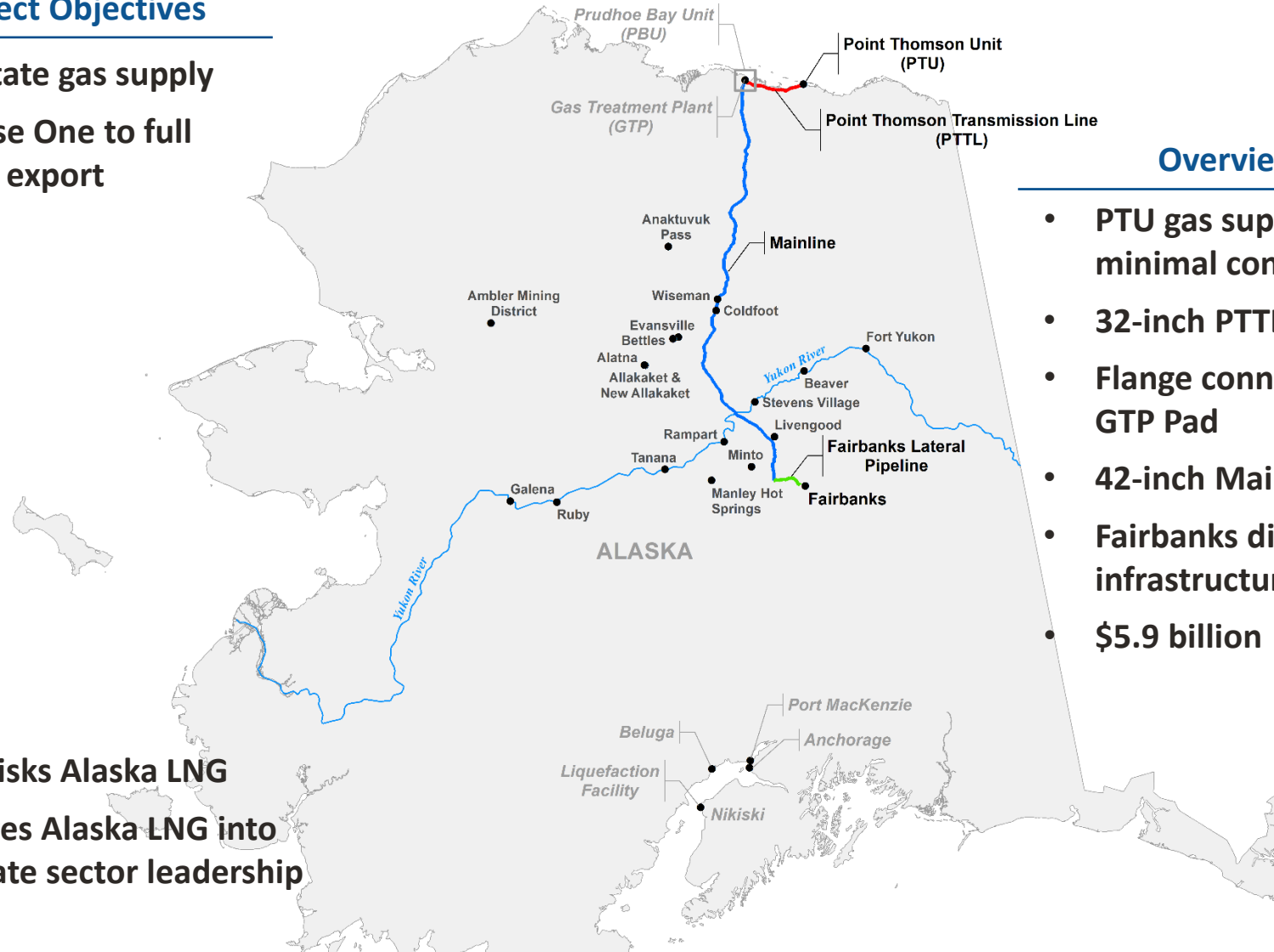
- Potential to attract stimulus and private funding to quickly create jobs and revitalize Alaska.
- Phase One opportunity: \$5.9 billion clean energy infrastructure initiative.
- Immediately ignites our economy, put thousands of Alaskans back to work.
- Resolves longstanding climate, pollution, and energy problems affecting rural and urban Alaskans.
- Alaska LNG is unique; the project has major permits required to start Phase One work now.

Phase One - Infrastructure Opportunity

Project Objectives

- In-state gas supply
- Phase One to full LNG export

- De-risks Alaska LNG
- Moves Alaska LNG into private sector leadership



Overview

- PTU gas supply with minimal conditioning
- 32-inch PTTL
- Flange connection at GTP Pad
- 42-inch Mainline
- Fairbanks distribution infrastructure
- \$5.9 billion

Alaska State Legislature Letter of Intent for SB 138:

- Employ Alaska residents and contract with Alaska businesses to the extent they are qualified, available, ready, willing, and cost competitive.
- Use, as far as practicable, job centers and associated services operated by the Department of Labor and Workforce Development.
- Participate with the Department of Labor and Workforce Development to update the training plan for an LNG export project including main operations.
- Advertise for available positions locally and use, as far as practicable, Alaska job service organizations to notify the Alaska public.
- Work with the Department of Labor and Workforce Development and other organizations to provide training.

- Propels a near-term economic recovery for Alaska:
 - ✓ \$1.5 billion impact in first 24 months
 - ✓ 1,400+ high-paying direct jobs
 - ✓ 20,000+ indirect jobs
- Immediate benefit to hardest-hit service industries (e.g., restaurants, hotels, transportation, warehousing, etc.).
- Delivers natural gas to Interior Alaska in 2025.
- Private sector leadership:
 - Build and operate
 - Invest capital in ownership depending on level of Federal infrastructure funds available to Alaska

Phase One - Alaska Economic Stimulus

- Will significantly decrease gas supply costs .
 - 75% Federal infrastructure support: \$15 MMBtu
 - 100% Federal infrastructure support: \$5 MMBtu
- Will provide cleaner air.
 - Some of the worst air quality in the nation.
 - Bring relief to residents with no alternative to diesel or wood.
- Will boost military readiness and efforts to alleviate climate impacts.
- Will reduce costs for producing minerals.

“Natural gas will play an indispensable role in managing the risk that a precipitous leap to renewables will make electricity more expensive and potentially less reliable.”

“Political debate around energy and climate policy often presents Americans with a false choice between natural gas and renewable energy – the two are intertwined.”

Progressive Policy Institute

Wind, Solar, and Gas: Managing the Risks of America's Clean Energy Transition

December 2020

- Fund the project alongside private sector Lead Party:
 - ✓ Owner Builder Operator (OBO) would invest capital.
 - ✓ OBO to receive minimum return ahead of any State payback.
 - ✓ Gas is delivered to Fairbanks for \$5 -\$15/MMBtu depending on Federal infrastructure funding.
- Significantly de-risks Alaska LNG.
- Once Alaska LNG is sanctioned by investors, gas prices normalize to under \$5/MMBtu in Interior and Southcentral Alaska.
- The Alaska LNG project final phase will bring additional job creation.
- Alaska LNG's clean-energy infrastructure positions Alaska to remain a major energy exporter far into the future by exporting LNG and eventually hydrogen.

- Completing state permits and approvals.
- Working with private-sector Strategic Parties to provide investment and lead the LNG export project.
- Seeking Federal infrastructure funds for a Phase One economic stimulus opportunity.
- Encouraging Alaskans to rally behind the project that will bring positive impacts to Alaska for generations.

Governor's FY22 Budget Proposed

- FY22 Operating Budget:
 - No new capitalization needed
 - \$3,081,600 authorization
 - 10% reduction from FY21
 - Authorizes use of funds from Alaska LNG Project Fund
 - Future funding sources
 - Statutory Designated Program Receipts
 - \$50,000,000 (private sector funds)
 - Federal Receipt Authority
 - Economic Stimulus/Infrastructure Funds
- AGDC will continue to:
 - Advance Alaska LNG Project towards FEED Stage Gate.
 - Transition leadership to private sector lead parties.
 - Maintain maximum value of State of Alaska investment.
 - Work with state and federal entities on additional ways to optimize.



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