

INVESTING IN ALASKANS

ALASKA ENERGY INDEPENDENCE FUND (AK EIF)

House Bill 170 & Senate Bill 123

Alan Weitzner, AIDEA Executive Director
April 2021, v.2



AIDEA'S MISSION

To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

AIDEA OVERVIEW

- ✓ Investing in Alaskans since 1967
- ✓ Alaska's Development Finance Authority
- ✓ Financially Self-Sustaining Public Corporation (no GF by statute AS 44.88.190(b))
- ✓ \$439.7 million in Dividends to Alaska since 1997
- ✓ Directed over \$3 billion into economic development in Alaska

AIDEA AS 44.88

WITHIN AS 44.88.010(a)(10)

It is in the public interest to promote the prosperity and general welfare of all citizens of the state by:

- (A) **stimulating commercial and industrial growth and expansion by encouraging an increase of private investment** by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;
- (C) **creating the Alaska Industrial Development and Export Authority** with the powers necessary to accomplish the objectives stated in this paragraph, including the **power to issue taxable and tax-exempt bonds, to acquire ownership interests in projects, and to provide development project financing...**

WITHIN AS 44.88.010 (a)(11)

it is in the state's interest to import private capital to create new economic activity that would not otherwise take place in the state.

AIDEA PROGRAMS + PROJECTS

- Loan Participation Program
- Conduit Revenue Bond Program
- Rural Development Initiative Loan Fund
- Development Project Finance
- Sustainable Energy Transmission and Supply (SETS)
- Arctic Infrastructure Development Fund (AIDF)
- Small Business Economic Development Revolving Loan Fund
- Business Export Assistance Program

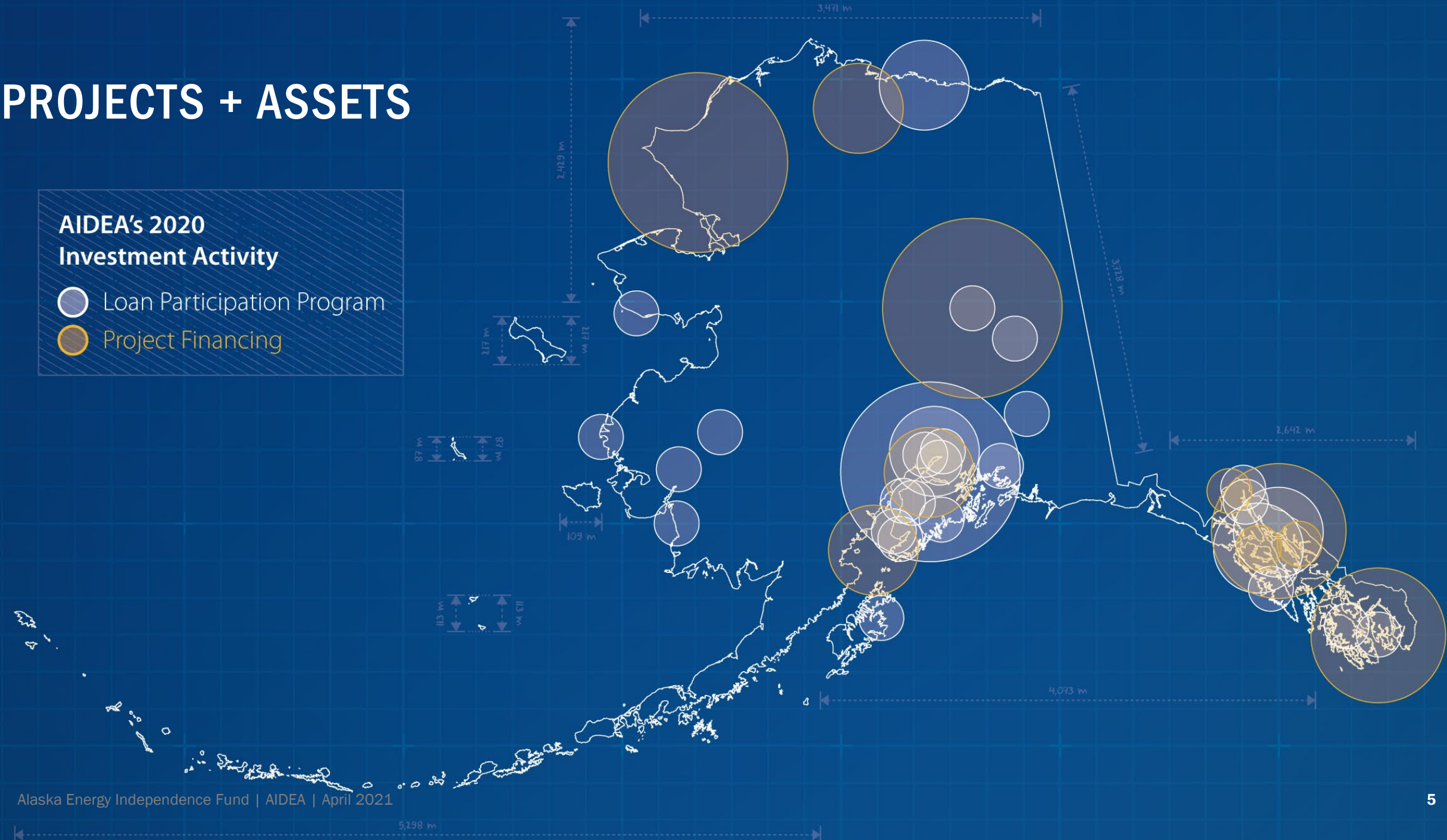
Development Project Finance:

- ✓ Delong Mountain Transportation System
- ✓ Skagway Ore Terminal
- ✓ FedEx Aircraft MRO Hangar
- ✓ Snettisham Hydroelectric Facility
- ✓ Alaska Ship & Drydock, Ketchikan
- ✓ Camp Denali Readiness Center (JBER)
- ✓ Mustang Holding LLC
- ✓ Interior Energy Project
- ✓ BlueCrest Energy Drilling Rig Loan
- ✓ AK SHIP – Vessel Repair Finance Program
- ✓ Duck Point Development II (Icy Strait Point)
- ✓ HEX Cook Inlet, LLC
- ✓ Ambler Access Project
- ✓ West Susitna Access Road Project
- ✓ Section 1002 Area Leases

PROJECTS + ASSETS

AIDEA's 2020
Investment Activity

- Loan Participation Program
- Project Financing



AIDEA & AEA



Mission: To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.



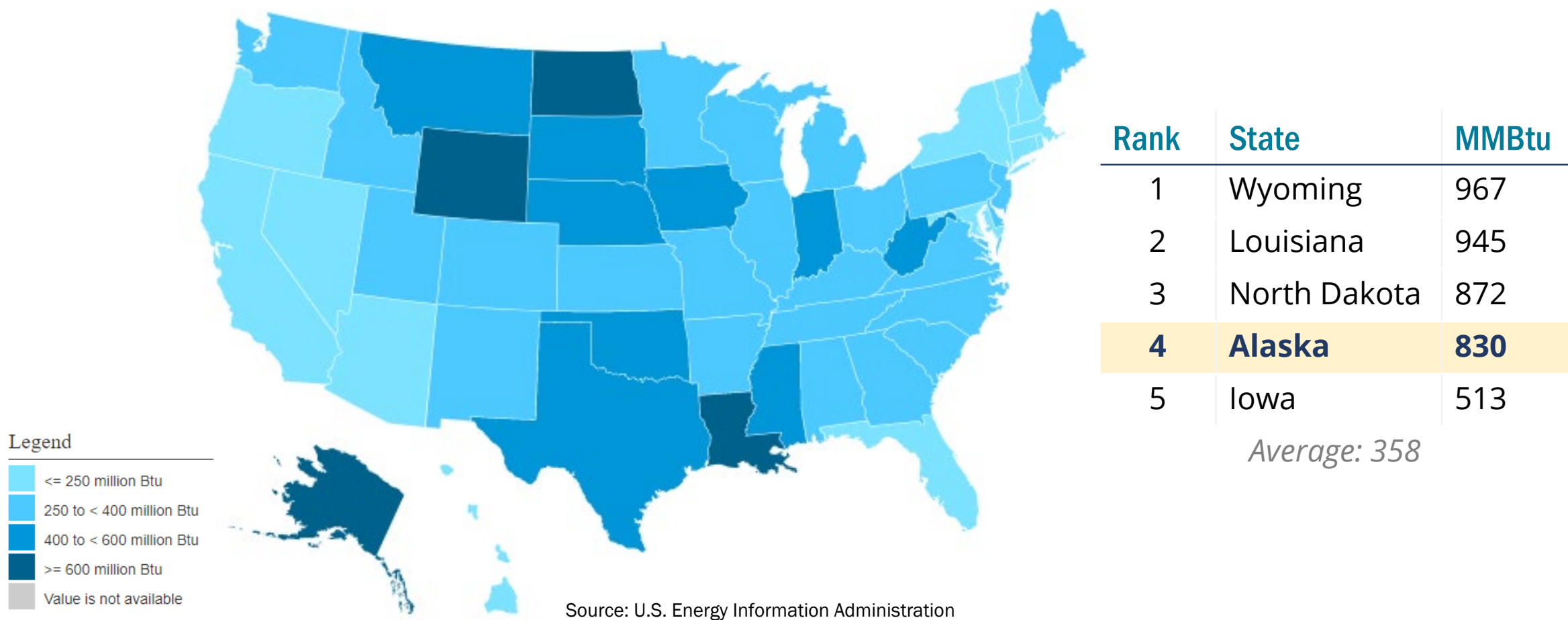
Mission: To reduce the cost of energy in Alaska.
AEA is Alaska's energy office and lead agency for statewide energy policy and program development.

The purpose and function of the AK EIF aligns with AIDEA's existing scope establishing loan programs, working with Alaska's financial sector and private investors, as well as managing capital funds, such as the Loan Participation Program (Enterprise Development Account) and Development Project Financing (Economic Development Account).

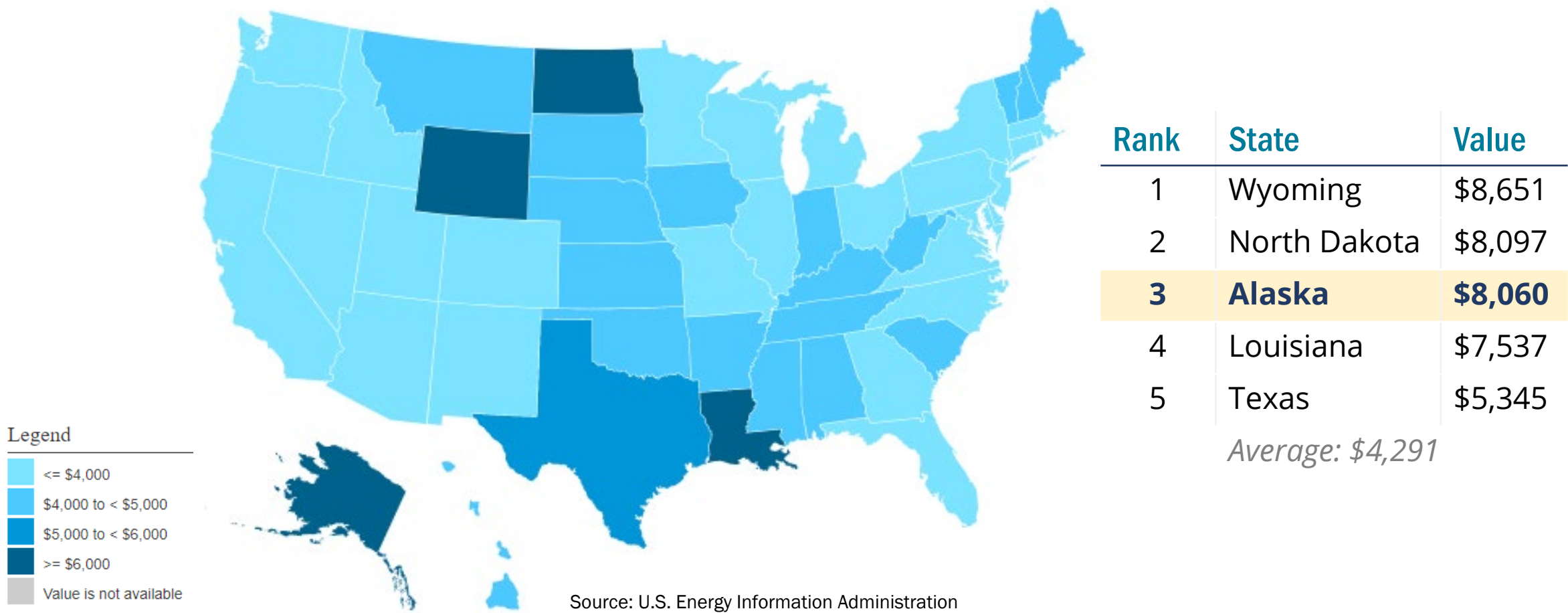
AIDEA would oversee loan programs and financial management in partnership with AEA's energy and technical subject matter expertise, leveraging existing shared infrastructure and services.

An independent, five-person advisory board would provide guidance on investment opportunities to AIDEA and AEA. The advisory board's authority would not supersede the governing authority of the AIDEA/AEA Board.

TOTAL ENERGY CONSUMPTION PER CAPITA, 2018 *(million Btu)*

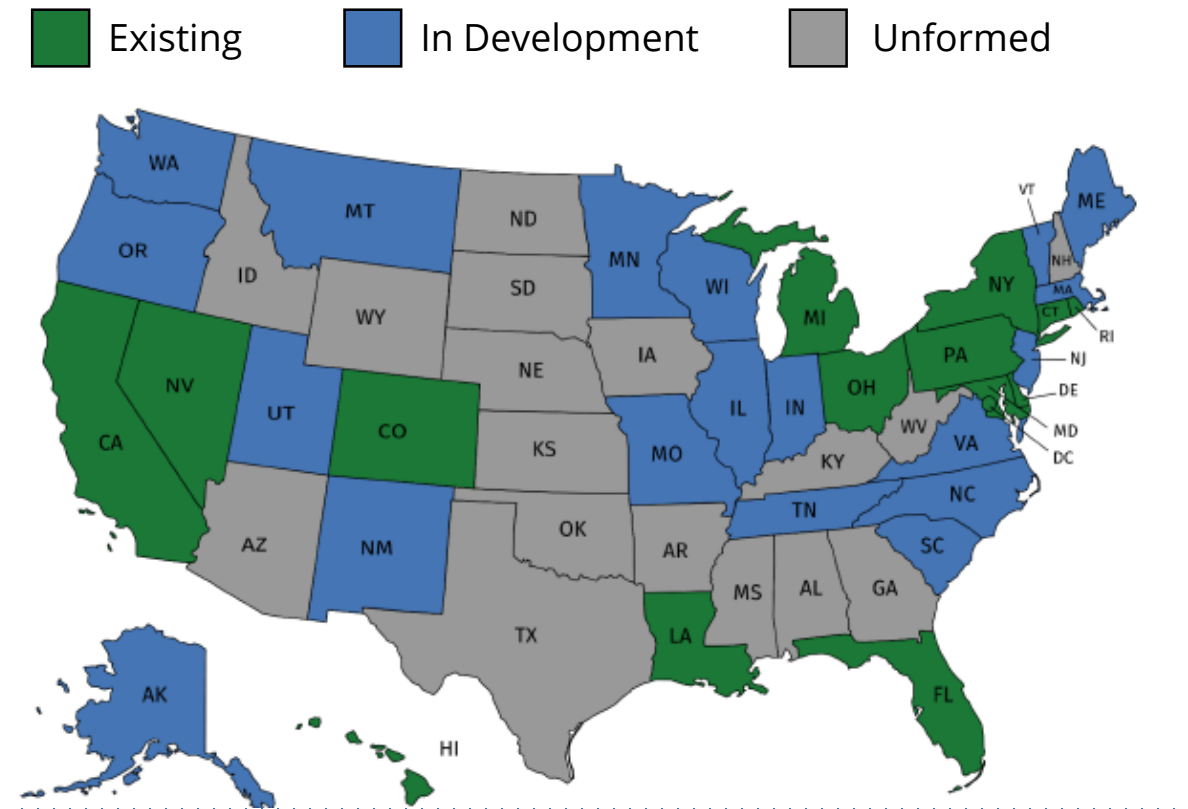


TOTAL ENERGY EXPENDITURES PER CAPITA, 2018 *(U.S. dollars)*



WHAT IS THE AK EIF?

- The Alaska Energy Independence Fund (AK EIF) serves a public purpose in meeting the unique energy needs of Alaska to promote sustainable clean energy projects through loan programs.
- Often referred to as a “green bank”, the AK EIF functions as a public-private entity that uses modest amounts of public funding to leverage private capital to accelerate investment in clean energy projects.
- AK EIF meets the criteria to receive and manage funds anticipated to become available through pending federal legislation.



Source: Coalition for Green Capital

INITIAL CAPITALIZATION + FUNDING

- Proposed initial capitalization: \$10 million appropriation from State of Alaska UGF with an anticipated federal match.

	NEW YORK New York NYGB	CONNECTICUT Connecticut CGB	MARYLAND Montgomery County MCGB	ALASKA Proposed AK EIF
GDP	\$1.772 trillion	\$287.82 billion	\$95.59 billion	\$54.4 billion
GDP per Capita	\$91,102	\$80,729	\$91,040	\$74,343
Population	19.45 million	3.6 million	1.05 million	0.73 million
Total Energy Expenditures per Capita	\$3,112	\$3,960	\$3,295	\$8,060
Initial Capitalization	\$219 million	\$50 million	\$14 million	\$10 million
Private Capital Leverage Ratio	6 to 1	8 to 1	7 to 1	

ECONOMIC BENEFITS OF THE AK EIF



Lower
Cost of Energy



Lower
Cost of Living



Create
Jobs



Create
Businesses



Increase
Discretionary Income

ECONOMIC BENEFITS OF THE AK EIF



\$8,060

Average annual cost of energy per Alaskan



Create AK EIF

Modest public funds + private investment in clean energy

10%

\$806 average annual energy savings per Alaskan

20%

\$1,612 average annual energy savings per Alaskan

30%

\$2,418 average annual energy savings per Alaskan



Injects Hundreds of Millions of Dollars into Alaska's Economy

Frees up approx. \$589 million to \$1.7 billion in discretionary spending every year



NATIONAL “GREEN BANK” AND ACCELERATOR



H.R. 806
Clean Energy and
Sustainability
Accelerator Act



S.283
National Climate
Bank Act

- Congress has introduced the Accelerator Act that would form a national “green bank” capitalized with \$100 billion.
 - Bipartisan co-sponsors, including Alaska Rep. Don Young.
- If/when passed, these acts would provide investment and operational capital.
 - Creation of the AK EIF would allow Alaska to receive additional investment and operational capital for a “green bank”.
- The Clean Energy and Sustainability Accelerator is part of the Biden Administration’s American Jobs Plan (“The Infrastructure Bill”).

ALASKA ENERGY INDEPENDENCE FUND (AK EIF)

Overview

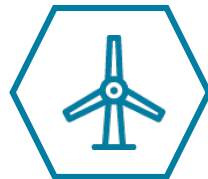
“An Act creating the Alaska energy independence fund in the Alaska Industrial Development and Export Authority; and providing for an effective date.”

- Make capital more accessible to borrowers for **sustainable energy development** projects.
 - Partner with private capital to fund businesses and projects, including energy-efficiency, renewable power, micro-grid, transportation, sustainable agriculture, and more.
- Incentivize co-investment in the non-fossil fuel energy sector between the public (the State of Alaska through AIDEA in partnership with Alaska Energy Authority), Alaska’s financial sector, private investors, and philanthropic donors.
- AK EIF bill aligns with the proposed federal bills, including the new definition of “sustainable energy development”.

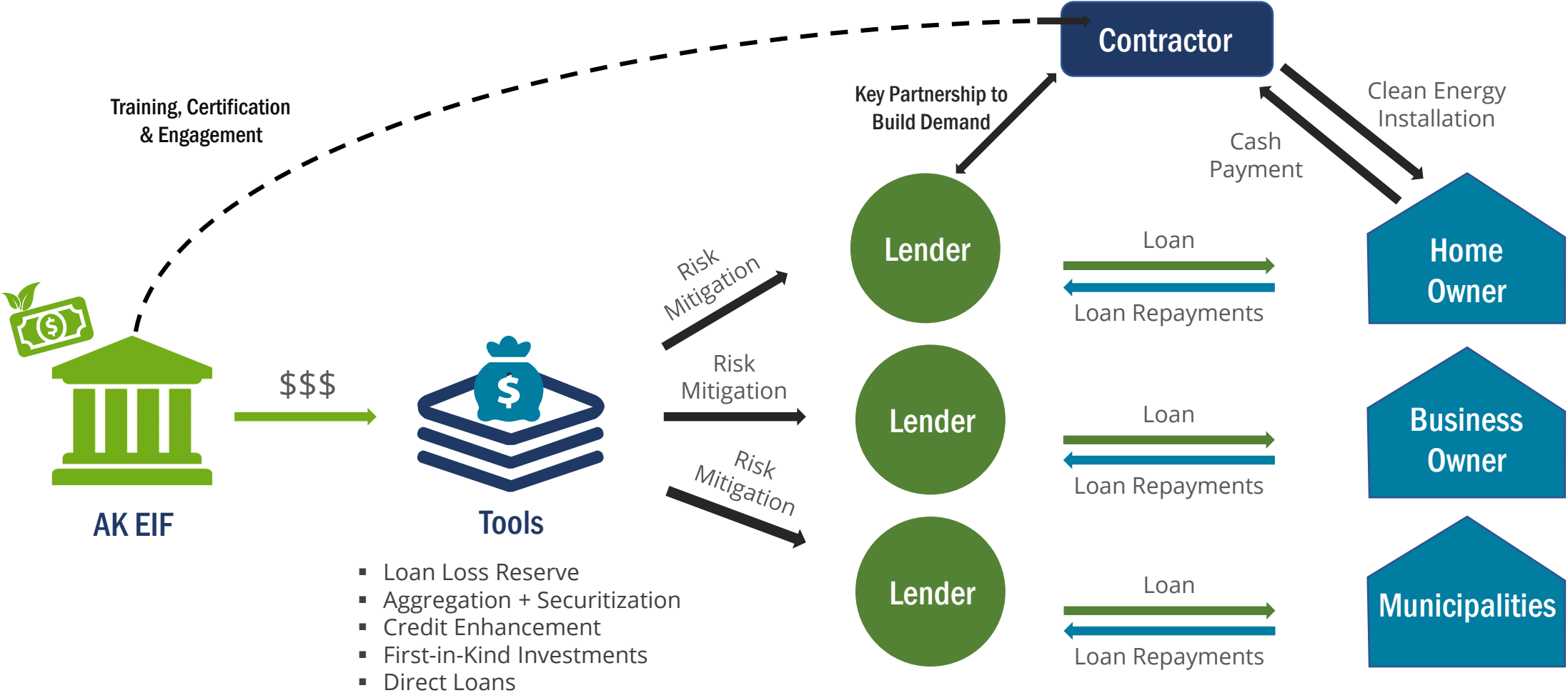
ALASKA ENERGY INDEPENDENCE FUND (AK EIF)

Financing + Investments

- The Fund would leverage its capital alongside Alaska's financial sector to enhance total investment in Alaskan clean energy programs and projects.
- Eligible to make loans, provide credit enhancement structures, purchase loans, provide development funding and other forms of financing for sustainable energy development in Alaska's commercial, residential, and industrial market sectors.
- The Fund would consist of appropriations made by the legislature, loans or other assets transferred to the Fund by AIDEA, unrestricted loan payments, interest, or other income earned on loans, investments or assets of the fund, and available federal funding.



PROGRAM WORKFLOW



ALASKA ENERGY INDEPENDENCE FUND (AK EIF)

Functions of the Fund

The AK EIF prioritizes affordable, local, reliable, sustainable, and independent energy.

Barrier to Investment	Solution	Examples
Perceived project risk	Credit enhancement	Provide a loan loss reserve; can mitigate risk and allow investment to flow at longer term of lower rate
Inefficiencies of scale	Aggregation & warehousing	Aggregate small projects to meet scale to attract private capital
First-in-kind transaction	Technical assistance	Put in technical legwork that comes with closing more labor-intensive, innovative transactions
Marginal economics	Co-investment	Lend to project, in senior or junior position, to improve overall economics for investors and customers

DISCUSSION

Thank you

Alan Weitzner, AIDEA Executive Director