

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

July 19, 2019

11:54 a.m.

MEMBERS PRESENT

Representative Geran Tarr, Co-Chair
Representative Grier Hopkins, Vice Chair
Representative Sara Hannan
Representative Chris Tuck
Representative Ivy Spohnholz
Representative Dave Talerico
Representative Sara Rasmussen (via teleconference)

MEMBERS ABSENT

Representative John Lincoln, Co-Chair
Representative George Rauscher

COMMITTEE CALENDAR

PRESENTATION: ALASKA LNG UPDATE BY JOE DUBLER~ INTERIM
PRESIDENT~ ALASKA GASLINE DEVELOPMENT CORPORATION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOE DUBLER, Interim President
Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Legislative Update," dated 7/18/19, and answered questions.

FRANK RICHARDS, Senior Vice President, Program Management
Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Answered a question during the PowerPoint presentation entitled, "Legislative Update," dated 7/18/19.

ACTION NARRATIVE

[11:54:35 AM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 11:54 a.m. Representatives Hannan, Talerico, Hopkins, Spohnholz, and Tarr were present at the call to order. Representatives Tuck and Rasmussen arrived as the meeting was in progress.

Presentation: Alaska LNG Update by Joe Dubler, Interim President, Alaska Gasline Development Corporation

[11:55:22 AM](#)

CO-CHAIR TARR announced the only order of business would be an update on the Alaska Gasline Development Corporation as required by Senate Bill 138 [passed in the Twenty-eighth Alaska State Legislature].

[11:56:08 AM](#)

JOE DUBLER, Interim President, Alaska Gasline Development Corporation (AGDC), directed attention to a PowerPoint presentation entitled, "Legislative Update" dated 7/18/19. Mr. Dubler noted since the last update in March [2019], AGDC began working with oil producers on the details of the Federal Energy Regulatory Commission (FERC) authorization; further, on July 10, [2019], AGDC announced a reorganization which would refocus the corporation toward its purpose in the next year to obtain a license from FERC to construct the [Alaska liquefied natural gas pipeline (Alaska LNG)] project. He explained in the last two or three years AGDC developed a large infrastructure but will now strictly focus on the FERC license. As a result of the reorganization, AGDC will reduce departments; for example, the legal department will be reduced to one attorney, as needed, from the Department of Law (DOL), and reductions will also be made to the department of external affairs and government relations, and to the commercial department. These reductions are due to AGDC's new role acting as the state's sovereign representative instead of its previous role as the sole party in the Alaska LNG project. He pointed out the importance of participation by private sector, experienced, large companies or independent oil companies to build a project "of this magnitude." Mr. Dubler stated AGDC's reorganization and reductions will not affect its ability to accomplish its mission in the upcoming year (slide 2).

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REPRESENTATIVE HANNAN asked for the number of AGDC employees before and after reorganization.

MR. DUBLER explained AGDC staff would be reduced from nineteen position control number (PCN), to eight or nine PCN, over the next three months.

REPRESENTATIVE HANNAN questioned the use of the word "sovereign" in the context of "referring to [the state] as a sovereign versus a sole party."

MR. DUBLER clarified a sovereign typically does not build a project but acts to advance a project through regulatory, financial, or tax issues. He said, "... we're not going to be building it, we're not going to be hiring people to do this. We're going to be sitting back and, and helping to accomplish the project for the parties that are going to do that."

REPRESENTATIVE HANNAN recalled the state was the sovereign during construction of the Trans-Alaska Pipeline System (TAPS) and surmised [the Alaska LNG project] is analogous.

MR. DUBLER stated the project is similar but is not a "TAPS model." He noted the state's role in the construction of TAPS was as a regulator and taxing authority; however, [for Alaska LNG] the state would be involved in issues such as payment in lieu of taxes (PILT). He elaborated on the impact of taxes on the profit margins of oil and natural gas pipelines.

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REPRESENTATIVE TUCK offered some details about the history of AGDC, beginning in 2010, and described the expansion in 2014 of AGDC to the primary responsible party to develop [a liquefied natural gas (LNG) project] along with the Department of Natural Resources (DNR) and the Department of Revenue (DOR), followed by an appropriation to determine the state's participation. He observed AGDC holds an aggressive role in efforts to monetize natural gas resources on the North Slope and asked who made the decision to reorganize, and under what authority that decision was made.

MR. DUBLER said the AGDC board of directors is appointed by the governor and serves at the pleasure of the governor; the president is appointed by the board. He said it is his decision

to determine staffing and the board has turned the corporation's direction away from commercial efforts and toward permitting; in fact, commercial efforts were nonbinding because the cost of the LNG was unknown. Furthermore, not having permits is a "roadblock" to projects and he described regulatory impediments to construction projects in North America. He opined obtaining a permit would "open up the door ... to other investors that don't want to take regulatory risks" Mr. Dubler said it was his decision on how to "fit this corporation to [the] right size for the effort that we've got moving forward."

REPRESENTATIVE TUCK asked what AGDC was doing that it will not be doing after reorganization.

MR. DUBLER responded AGDC executed nonbinding letters of interest and agreements that he characterized as not progressing the project. Also, AGDC sought to attract interest in the project through social media, its website, and press releases. After reorganization, AGDC will complete its work for FERC and in June [2020], will review the project.

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REPRESENTATIVE HOPKINS questioned whether AGDC would rehire staff after receiving its permit from FERC.

MR. DUBLER said no. He added, "We would ... at that time look at what AGDC's role in any project that may be going forward would be, and whatever that role is ... we would maybe adjust our staffing to, to reflect the role that we would be performing at that time." He stressed his intent to only employ staff necessary for the work underway in the next year.

REPRESENTATIVE HOPKINS asked if legislation would be needed to authorize AGDC's new role after FERC approval is received.

MR. DUBLER said it is impossible to answer that question at this time; however, the legislation that created AGDC is "forward-looking" and grants power and many aspects to the corporation. He acknowledged AGDC would need legislative approval for funding.

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CO-CHAIR TARR recalled originally AGDC was to represent the state's one-quarter equal interest in the project with three partners, all equally responsible for development and costs.

Subsequently, the state assumed the lead role as evidenced by AGDC seeking commercial agreements to sell the resource first to obtain the funding to build the project. She posited the next phase would be a stage-gate approach and asked whether the state's role would return to the original role with four equal partners or move to a different organizational structure.

MR. DUBLER was unsure. He restated AGDC would not be in a lead role in the project, and that AGDC's future role in the project, if any, will be determined in the next year. He said, "We're currently 100 percent of the project owner right now, and that's what we're getting away from and we're looking for someone to step in."

CO-CHAIR TARR referred to a decision on tax as gas (TAG) and asked when the legislature would become engaged in this issue.

MR. DUBLER explained there will be two decisions, the first of which addresses royalty in kind (RIK) versus royalty in value (RIV); for example, for TAPS, the state takes RIV, which creates annual disputes with oil companies over costs and revenues in order to determine the state's value. To avoid similar disputes over the natural gas pipeline, the state seeks to take RIK, which is a decision that will be made by the commissioner of DNR. If the decision is made to take RIK, the producers will have the option to pay their taxes to the state as TAG. Mr. Dubler further explained either way, royalty tax equates to about 25 percent, which was the basis for the state's one-quarter interest in the original project; currently only two major oil producers, BP and ExxonMobil Corporation (ExxonMobil), are participating in funding the FERC process.

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CO-CHAIR TARR restated her question as to when the legislature would be engaged on the aforementioned items.

MR. DUBLER was unsure because of the constitutional question as to whether the state can commit to sell future years' gas. He pointed out the Alaska State Constitution directs the legislature to appropriate revenues each year; however, if AGDC enters into a 20-year contract to sell gas, the funds are already appropriated, which raises the constitutional question as to whether the aforementioned action can be authorized by legislation or by a constitutional amendment. He expressed his understanding the commissioner of DNR would bring the RIK issue to the legislature.

REPRESENTATIVE TUCK returned to the issue of AGDC's change in purpose and asked whether the board of directors did not decide to [reorganize AGDC] but hired Mr. Dubler, and Mr. Dubler, on his own authority, made the decision to change the [focus of AGDC to seek FERC authorization].

MR. DUBLER said, "... the board is the one who sets the direction ... what I did is adjusted the staff to, to meet the, the purpose that, that we're currently working on, and that's on, just on the FERC effort."

REPRESENTATIVE TUCK paraphrased from AGDC's vision as follows:

AGDC's role is to facilitate the development of infrastructure necessary to move the gas into local and international markets in order to maximize the benefit of Alaska's vast North Slope natural gas.

REPRESENTATIVE TUCK asked if AGDC's vision has changed.

MR. DUBLER said the vision is still to commercialize North Slope gas reserves; however, the difference is the state will not build the project and AGDC will solicit third parties to build the project for the state.

REPRESENTATIVE TUCK surmised AGDC is no longer seeking partnerships or any type of vested ownership interest in the project other than to ensure the FERC approval is in place and to facilitate applicable regulations.

MR. DUBLER clarified the state would still be involved in the project for at least the next year, and AGDC will continue to fulfill its requirements. Relating to partners, because the state holds ownership, the transfer of its equity represents the disposition of a state asset which is governed by an appropriate statute process.

REPRESENTATIVE TUCK restated several points and concluded the next step is to sell the project.

MR. DUBLER said selling could be one option; in addition, the state could maintain some ownership not as an active participant, and there are other options to be analyzed.

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CO-CHAIR TARR recalled the Walker Administration developed contractual relationships with financial companies who sought financing for the project. At that time the project carried higher risks, which would result in a loss of equity. However, any interest in the project would indicate potential success. She was unsure if said effort garnered interest or affected AGDC decision-making. Co-Chair Tarr urged for the effective use of state money and estimated over \$600 million has been spent overall.

MR. DUBLER said the previous administration contracted with the Bank of China and Goldman Sachs to find equity and debt investors, which resulted in multiple non-binding letters of interest from entities worldwide; interest was shown but the effort did not result in commitments.

REPRESENTATIVE TUCK inquired as to what the interested parties require before signing commitments.

MR. DUBLER said AGDC needs to estimate the cost of gas delivered to Asia well below the previous estimate of \$11-\$12 [per million British thermal unit (MMBtu)]. Before signing a commitment, buyers also need to know two other terms: when the gas would be available and how much would be available.

REPRESENTATIVE TUCK commented the project does not pencil out for investors under the current price environment.

MR. DUBLER suggested after potential cost reductions, the cost of the project has reduced; in fact, based on the cost reductions identified by AGDC, BP, and ExxonMobil, there is potential for the project to be competitive, especially after the FERC license is issued.

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REPRESENTATIVE TUCK questioned what terms are sought by investors and buyers for cost, delivery, and volume.

MR. DUBLER cautioned it would be disadvantageous to disclose cost information and data to potential customers, thus sellers and buyers compete on the natural gas spot market to negotiate long-term contracts.

CO-CHAIR TARR asked how BP and ExxonMobil benefit from their investment in the FERC application if the state holds 100 percent ownership in the project.

MR. DUBLER pointed out he does not speak for BP or ExxonMobil; however, he suggested the state and other entities all seek to monetize North Slope natural gas and reserves.

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REPRESENTATIVE SPOHNHOLZ asked why [natural] gas is not considered a commodity.

MR. DUBLER explained gas is [secured by long-term contracts] because it is required by some countries to provide electricity for heat and power. For example, Japan needs to ensure its source of energy by securing long-term contracts for the delivery of LNG at a certain volume and price for 20 years. This is similar to the purpose of the Regulatory Commission of Alaska (RCA), which regulates the electric utilities in Alaska. Oil products differ in that they can be stored efficiently over a long period of time.

REPRESENTATIVE SPOHNHOLZ clarified gas purchase agreements are not subject to market volatility but are long-term for reasons of security.

MR. DUBLER answered "exactly."

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MR. DUBLER addressed slide 3, entitled "FERC Draft EIS Overview," which read:

- Alaska LNG Project Draft Environmental Impact Statement (DEIS) published June 28 is 3,674 pages, including appendices and map sets
- Technical review for completeness, accuracy, and consistency in impact determination is underway

- Public comments due October 3, 2019

- Several areas where FERC staff has deemed project impacts to be "significant", many of which can be reduced or eliminated with proposed mitigations:
 - Granular fill impacts that permanently convert habitat
 - Caribou (timing of impacts, impacts to habitat)

- Air emission impacts from the LNG Plant at start up and in Years 7 and 8
 - Aboveground facility emissions for SOx, NOx, visibility near Class I & II areas
 - Noise impacts during operations at two Noise Sensitive Areas near LNG Plant
 - "Likely to adversely affect" 6 listed species
 - Significant impacts to listed species critical habitat
 - Potential substantial cumulative impacts (Alaska LNG and others) to subsistence; BLM to conduct public hearings to gather testimony from Nuiqsut, Kaktovik, Utqiagvik, and Anaktuvuk Pass communities
- FERC accepted preferred alternatives, left open acceptance of Denali National Park & Preserve (DNPP) alternative

MR. DUBLER informed the committee the Alaska LNG Project Draft Environmental Impact Statement (DEIS) was published [6/28/19] and has been reviewed by AGDC staff. He directed attention to the executive summary and characterized the DEIS as "a good product." Although negative impacts were reported in the media, the DEIS indicated that AGDC had used the least environmentally damaging practicable alternative (LEDPA) to minimize the impact to each issue, such as impacts to polar bears or the caribou herds. He advised FERC reviews the scope and purpose of a project in the context of the least damage resulting from the project. Mr. Dubler opined FERC "realized" not doing anything on the North Slope was not acceptable. He pointed out the public comment period ends 10/3/19 and encouraged comments. Significant impacts identified by FERC [included on slide 3] have mitigating action and were addressed by the Alaska Stand Alone Pipeline Project (ASAP) U.S. Army Corps of Engineers (USACE) EIS. Turning to the Denali National Park and Preserve (DNPP), he said the project would cross into the park and may provide a bike path over the pipeline.

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REPRESENTATIVE HANNAN asked if there would be public meetings during the public comment period or if comments were limited to written comments.

MR. DUBLER stressed the public comment process is a FERC process and FERC will host events all along the route of the project.

He noted some meetings will focus solely on impacts to subsistence hunting on the North Slope. He stated AGDC would work to mitigate impacts on subsistence hunting; in fact, the project could improve access to the Minto Flats area. He addressed slide 4, entitled "FERC Review Process Update," which featured a flow chart detailing the complex FERC review process, and noted - for the next ten months - AGDC will be responding to questions posed by the DEIS.

MR. DUBLER addressed slide 5, entitled "FERC Draft EIS Overview," which read:

Positives...

- AGDC has initiated project changes since 2016 that reduced environmental impact and improved project benefits:
 - ASAP Project data leveraged for Alaska LNG
 - LNG water source - City of Kenai
 - Kenai Spur Highway Re-Route selection
 - Designation of interconnections
 - Elevated Point Thomson Transmission Line river crossings
- No scope changes to Project Design Basis
- No change to Proposed Actions
- No change to Jurisdictional issues
- No change to first 60 miles of buried mainline
- DNPP Alternative identified as sufficient and acceptable
- Design engineering requirements fulfilled
- Basic environmental data requirements fulfilled
- No further field programs required prior to the FERC Order (e.g., geotechnical, wetlands, cultural, fisheries, etc.)
- No change to FERC schedule

MR. DUBLER said the Kenai Spur Highway Re-Route selection remains under discussion.

CO-CHAIR TARR recalled a resolution related to the abovementioned issue.

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FRANK RICHARDS, Senior Vice President, Program Management, Alaska Gasline Development Corporation, explained since 2017 AGDC has worked with the community on alternatives to the Kenai

Spur Highway Re-Route; at this time, the selection is for a road around the plant site connecting to the existing Kenai Spur.

CO-CHAIR TARR restated her question.

MR. RICHARDS did not recall a legislative resolution in this regard.

REPRESENTATIVE HOPKINS asked how the DEIS addressed offtake points that would facilitate transporting natural gas to Fairbanks.

MR. DUBLER observed the DEIS does not designate offtake areas; however, AGDC proposes to install a block valve every 40 miles that will allow the pipeline to be shut down if necessary and which could be used to offtake gas. He cautioned a supplemental EIS would be necessary to address additional future pipeline construction.

REPRESENTATIVE HOPKINS surmised the ASAP pipeline to Fairbanks maps are not part of the DEIS.

MR. DUBLER said correct.

MR. DUBLER returned to slide 5 and noted FERC agreed with all of AGDC's proposals, made no changes to jurisdictional issues, and allowed the first 60 miles of buried pipeline. He explained that natural gas pipelines should be buried whenever possible for safety reasons. In addition, no further field programs are required and there is no change to the June 2020, schedule.

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MR. DUBLER paraphrased from slide 6, entitled "AGDC Immediate Priorities," which read:

1. Respond to 28 Recommended Mitigations due by end of the DEIS Review Period
 - Many have been addressed in previous FEED Data Request responses
2. If necessary, review and comment on 186 remaining Recommended Mitigations
3. Review and comment on strategic issues found in the DEIS narrative
4. Review technical completeness and accuracy

- 5. Continue consultation with Federal and State permitting agencies
- 6. Respond to SOA agency questions

MR. DUBLER addressed slide 7, entitled "DNPR Re-Route Alternative," which featured a map of the DNPP Re-Route Alternative, and read:

- DEIS includes Denali National Park & Preserve (DNPP) Route Alternatives
- Constructability more feasible and represents less risk
- Construction cost reduced
- ANILCA Title XI risk removed
- National Park Service (NPS) ROW application in process
- AGDC Management of Change in process
- Consistent with Army Corps' Least Environmentally Damaging Practical Alternative (LEDPA) for ASAP Project

MR. DUBLER cautioned there are "pinch point[s]" on the DNPR route such as Atigun Pass and north of Glitter Gulch. In response to Representative Tuck, he confirmed the pinch points are on the route through DNPP.

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MR. DUBLER continued to slide 8, entitled "State Support," which read:

- Department of Natural Resources
 - Established Reimbursable Services Agreements (RSAs) with the State Pipeline Coordinator's Section and Office and Project Management
 - Coordinate State Agencies review of Draft EIS
 - Assist with State permitting
 - Adjudicate Alaska LNG Right of Way application
- Department of Revenue
 - Economic model validation
- Department of Environmental Conservation
 - Preliminary decision for Air Quality Permit for Gas Treatment Plant
 - Public Comment Period through August 12, 2019
 - Continued review of Air Quality Permit for Liquefaction Plant

- Department of Transportation & Public Facilities
 - Assistance with DNPP re-route
 - Permitting interface and Draft Highway Use Agreement

MR. DUBLER advised the state has been very supportive of the project and that AGDC has very good working relationships with DOR, DNR, and the Department of Environmental Conservation (DEC). He described work that will be done with the Department of Transportation & Public Facilities (DOTPF).

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MR. DUBLER addressed slide 9, entitled "Summary," which read:

- The Alaska LNG Project DEIS was published on schedule
- The DEIS is a detailed and comprehensive review of environmental impacts reflecting the best available project information and environmental data
- The DEIS concludes the Purpose and Need for the project is met with the Preferred Alternatives
- AGDC is actively engaged in review and comment as the FERC applicant
- The FERC is scheduled to issue the Final Order on June 4, 2020
- Legislators and constituents can provide comments to the DEIS at FERC's website: <http://www.ferc.gov/docs-filing/docs-filing.asp>

MR. DUBLER noted the schedule has been delayed by four months. He said FERC concluded the purpose and need for the project have been confirmed and has provided a project website to accept online written comments.

CO-CHAIR TARR asked about the degrees of collaboration and information-sharing between AGDC, state agencies, and FERC during the DEIS process.

MR. DUBLER assured the committee AGDC has a different relationship than that of a third-party entity. He advised there is an "exemplary" collaborative environment with the state departments and commissioners.

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MR. DUBLER addressed slide 10, entitled "Producer Participation," which read:

- BP & ExxonMobil
 - First third-party financial participation in Alaska LNG in three years
 - Each funding 1/3 of AGDC's FY20 costs, up to \$10MM
 - Technical assistance with DEIS review and analysis
 - Assisting with evaluation of potential cost reduction opportunities

MR. DUBLER restated producers are participating in a cost-sharing role with the expectation the costs will remain significantly under \$10 million each for the state, BP, and ExxonMobil.

REPRESENTATIVE HANNAN asked if the financial contributions by BP and ExxonMobil will show as receipt authority in AGDC's budget.

MR. DUBLER expressed his belief AGDC has receipt authority for \$25 million in its capital budget.

MR. DUBLER addressed slide 11 entitled, "Financial Summary/Budget." He reviewed [fiscal year] year-to-date (YTD) costs for ASAP, in-state gas pipeline (ISG), AKLNG, and AGDC, all of which are significantly under budget. Further shown was a breakdown of costs. He continued to slide 12 [same title] and pointed out which costs will not be incurred in the current fiscal year.

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REPRESENTATIVE HANNAN questioned whether the agreements with AGDC's financial partners provide "authority" for the partners in the case of a dispute over expenses.

MR. DUBLER explained cost-sharing agreements will include a work program and budget, thus all parties would have to agree to any changes; furthermore, AGDC does not contemplate any additional costs in this fiscal year.

REPRESENTATIVE HANNAN suggested partners may seek to use their engineering staff instead of third-party engineers.

MR. DUBLER said any work completed by a partner's staff would save money because it would not be reimbursed. In response to Representative Hopkins, he returned attention to slide 11 and explained the total \$8,252 million in YTD costs of general and

administrative is the same total but has been divided into different categories - by function or by object code - and he gave an example.

REPRESENTATIVE HOPKINS directed attention to slide 12 and asked whether there will be no action or reduced action on "AFE Commercial" [in the upcoming fiscal year].

MR. DUBLER clarified although the commercial team is being downsized there may be some commercial work on organizational structure and governance. He said he was qualified to fulfill the limited amount of commercial work that may be requested by the producers. He related outside counsel was paid \$3.1 million for agreements [FYD] "... and that's why we're not going to incur them this year."

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CO-CHAIR TARR referred to the replacement of board members by the [Dunleavy] administration and asked how the "market" views the downsizing of the corporation on the future of the project. She further asked how the state can continue to sell the project.

MR. DUBLER characterized the reorganization as rightsizing, not downsizing; in fact, reorganization will enable AGDC to address more focused priorities by eliminating certain "function[s]." He explained AGDC has combated feelings of concern by communicating with [the parties to a joint development agreement executed 11/9/17] Bank of China, China Investment Corp. (CIC), and Sinopec. Although the joint development agreement on the previous project proposal will not be renewed, AGDC informed the parties to the agreement that the corporation will continue to work on the project with the producers. Mr. Dubler acknowledged parties to the joint development agreement "were obviously concerned," but they were assured that AGDC is "moving into the back seat ... and negotiating to get somebody to sit in the front seat and, and, drive this project."

CO-CHAIR TARR surmised [negotiations] would be the function of the external affairs and communications staff to mitigate the concern, which is a department that is being eliminated. She asked whether AGDC will have sufficient staff to continue communication and promotion.

MR. DUBLER opined there will be sufficient staff to fulfill AGDC's [new] purpose, which is not to sell the project.

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CO-CHAIR TARR returned attention to slide 6 and brought up the strategic issue of timing the completion of the project to coincide with a window of opportunity - during 2022 to 2024 - which is at the time existing long-term contracts to provide natural gas will expire. She inquired as to the next window of opportunity.

MR. DUBLER cautioned against allowing the schedule to dictate the project and pointed out AGDC is not in a position to make a final investment decision in 2019. He opined the [gap in the supply of natural gas] in 2024-2025 may not be as previously stated; the next drop off in supply may come in 2028-2029. He restated the benefits of employing a stage-gate process to determine a final investment decision.

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REPRESENTATIVE TUCK returned attention to the change of the state's role "from a partnership to a sovereign" and observed [BP and ExxonMobil] may have access to confidential information. He restated AGDC's previous role as Alaska's natural gas infrastructure development corporation, and that this role and responsibility have changed - even though there are partners in the FERC [application] process - and he urged that the state have "some investment and some partnerships with the final development of the gas pipeline." Further, he expressed concern entities have lost interest in a potential gas pipeline and reviewed the previous proposals that are no longer pursued. Representative Tuck also expressed concern about how monetizing natural gas from the North Slope would affect oil production.

MR. DUBLER stressed AGDC is currently the sole owner and is not in a partnership; in fact, [BP and ExxonMobil] are providing some financing for future activities but are not backing the project as partners. He stated AGDC remains in a position to expedite and empower the project for [a future owner]. In further response to Representative Tuck, he agreed the future owner is unknown: one factor is the regulatory risk to investors. In addition, the project has no partners, and the state's policymakers will determine the state's investment in the project. He disagreed that interest in the project has dimmed because AGDC is close to obtaining an EIS for the project, producers are looking at the project, and the state and the producers seek to monetize North Slope gas.

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REPRESENTATIVE TUCK inquired as to whether [BP and ExxonMobil] will garner the same access to the information the state is acquiring in its new role.

MR. DUBLER observed a lot of data included in the FERC application process came from the producers; data generated by the state is available to [BP and ExxonMobil] as it was to parties of the joint development agreement.

REPRESENTATIVE TUCK surmised with a letter of intent, "it sounds like anybody has access to that data" and asked whether the agreement to share [FERC] costs allows [BP and ExxonMobil] to have information that is otherwise confidential.

MR. DUBLER clarified access to the data is contingent upon the execution of a confidentiality agreement. He restated sharing costs grants the ability to see data, and [AGDC, BP, and ExxonMobil] have a cost-sharing agreement, not a partnership.

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REPRESENTATIVE HANNAN asked whether BP and ExxonMobil are involved with other LNG projects worldwide and, if so, for the timelines thereof.

MR. DUBLER expressed his understanding BP and ExxonMobil are involved in multiple projects worldwide - as would be all international entities that produce LNG - and which would not preclude them from investing in a competitive project.

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CO-CHAIR TARR pointed out four gubernatorial administrations have made changes to the project and she reviewed some of the legislative history of the project beginning with [the Alaska Gasline Inducement Act (AGIA) passed in the Twenty-fifth Alaska State Legislature]. She recalled [in 2007] only TransCanada Corp. was interested in the project and questioned what has changed to indicate another interested party will emerge.

MR. DUBLER gave reasons the AGIA legislation may have discouraged participation by other parties. He said, "Where we go from here, we've got a year to figure that out. ... There was a lot of good done in the last three years, it just, it doesn't

align with what we're doing now, but it did show that there are people interested in this project, there are people interested in getting gas from Alaska ..."

CO-CHAIR TARR asked if the administration has taken a position on confidentiality agreements.

MR. DUBLER said interested members of the committee can contact his office to instigate a confidentiality agreement.

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REPRESENTATIVE TALERICO asked whether the approval of the FERC permit has a "shelf-life." He agreed parties will be more seriously interested in the project after the permit is approved and inquired as to the effect of the approval on the project's timeline.

MR. DUBLER expressed his belief the EIS will be awarded for a construction time of eight years; further, extensions can be granted anytime during the eight years.

REPRESENTATIVE TALERICO surmised a reduction in the cost of materials such as steel could affect the project's competitiveness.

MR. DUBLER agree all commodities and markets go through cycles; furthermore, the 25 percent China tariff has arisen to affect construction costs and the price of U.S. LNG delivered to China. He commented on the growing concern about impacts on the corporation by the uncertainties of a "trade war" with China.

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REPRESENTATIVE TUCK returned attention to the sections of slide 4 which read:

Alaska LNG assesses market need and considers Project facilities; Alaska LNG studies potential Project sites and routes; Alaska LNG identifies stakeholders

REPRESENTATIVE TUCK asked whether the aforementioned actions were requirements of the pre-file process.

MR. DUBLER clarified said actions were required as part of the application.

REPRESENTATIVE TUCK asked whether FERC requires AGDC to continue to assess market need.

MR. DUBLER responded:

The market will determine whether the project gets built or not, because if there's not a market for the ... gas when, when we're looking at, you know, starting a [front end engineering design (FEED)] decision, we'll never proceed from, from there.

REPRESENTATIVE TUCK concluded, at the beginning of the application process, the state was required to show there was an interest by the market.

CO-CHAIR TARR made closing remarks.

[1:41:50 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 1:42 p.m.