

HOUSE FINANCE COMMITTEE
January 28, 2025
1:52 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:52 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp (via teleconference)
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Frank Richards, President, Alaska Gasline Development Corporation; Matt Kissinger, Venture Development Manager, Alaska Gasline Development Corporation.

PRESENT VIA TELECONFERENCE

Randy Ruaro, Executive Director, Alaska Industrial Development and Export Authority.

SUMMARY

PRESENTATION: ALASKA GASLINE DEVELOPMENT CORPORATION UPDATE

Co-Chair Josephson reviewed the meeting agenda. He noted that the Office of Management and Budget (OMB) director had

discussed the Alaska Gasline Development Corporation (AGDC) component the previous day and there was an associated increment in the fast track supplemental.

^PRESENTATION: ALASKA GASLINE DEVELOPMENT CORPORATION UPDATE

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FRANK RICHARDS, PRESIDENT, ALASKA GASLINE DEVELOPMENT CORPORATION, requested to have his colleague Matt Kissinger join him at the table. He introduced a PowerPoint presentation titled "House Finance Committee Meeting," dated January 28, 2025 (copy on file). He relayed that the presentation would review an update of the Alaska Liquid Natural Gas (AKLNG) project. The presentation would also include an overview of an independent third-party evaluation of the project and the gross value added to the state, which the legislature had directed AGDC to undertake. Additionally, the presentation included information about interest from a private developer to lead the project through to execution.

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Mr. Richards began on slide 2 and shared that AGDC had been created by the legislature in 2013 when Cook Inlet was facing difficult production challenges. There had been a desire by the legislature for a state corporation to look at monetizing and delivering natural gas from North Slope to Alaskans and with the passage of SB 138 to market the gas for international markets. The primary focus of AGDC's creation was about delivery of gas to Alaskans. He detailed that AGDC was currently the sole owner of AKLNG. Previously in AGDC's partnerships with ExxonMobil, BP, and ConocoPhillips, AGDC represented a 25 percent interest by the State of Alaska. He elaborated that in 2017, the entire project had been handed to AGDC and it had been moving the project forward since that time.

Mr. Richards turned to slide 3 titled "Alaska LNG Overview." The project was founded on the 40 trillion cubic feet (Tcf) of gas reserves in Prudhoe Bay (PBU) and Point Thomson (PTU). He detailed that in PBU about 8.5 billion feet of gas came up with the oil production and was compressed and reinjected back into the reservoir. He explained that PTU was a gas condensate field that was

producing a small amount of gas where the gas volumes were known. The goal was to develop PTU for gas offtake and natural gas liquids, which would generate revenue to the state. Across the North Slope basin there was 122 Tcf of proved producing reserves. The information was derived from the independent Energy Information Agency (EIA). He noted there were tremendous resources on the North Slope that had been lacking an opportunity to get to market for decades. He relayed that PBU gas contained a fairly high amount of carbon dioxide (CO2), which had to be removed in order to be sold in the market; therefore, an Arctic carbon capture gas treatment facility had been designed. After treatment, the gas would meet the specifications for liquified natural gas (LNG) production.

Mr. Richards continued to address slide 3. The natural gas pipeline would run 807 miles from Prudhoe Bay to Nikiski. There would be a liquefaction facility located in Nikiski. He explained that the pipeline would have offtakes for Alaskan communities and Alaska natural resource developments as they became available or were interested in energy off the gas.

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Representative Johnson asked for the name of the other individual at the table.

MATT KISSINGER, VENTURE DEVELOPMENT MANAGER, ALASKA GASLINE DEVELOPMENT CORPORATION, introduced himself.

Co-Chair Josephson asked if the offtakes along the 807-mile gasline were part of the working agreement with Glenfarne.

Mr. Richards responded that Glenfarne knew that ADGC's mission was to deliver gas to Alaskans at the lowest cost and to commercially viable locations via offtakes.

Representative Galvin stated her understanding that the pipeline would end in Nikiski instead of Valdez. She asked when it broke apart.

Mr. Richards agreed. He elaborated that the start of the pipeline was located near the gas processing unit located in PBU. The line would run parallel to the Dalton Highway and the Trans-Alaska Pipeline System (TAPS) for approximately 404 miles to Livengood where the line would

run south through Minto Flats to Nenana where it would connect to the right-of-way near the Alaska Railroad and Parks Highway.

Representative Galvin asked for the number of miles.

Mr. Richards replied it was about 404 miles from Prudhoe Bay to Livengood paralleling TAPS. From Livengood, TAPS ran southeast to Fairbanks and on to Valdez.

Representative Galvin surmised that about 403 miles of the project would go on its own course from Nenana to Nikiski.

Mr. Richards agreed.

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Representative Tomaszewski asked if any part of the deal was for importing gas.

Mr. Richards replied that the project was about bringing North Slope gas to Alaskans with opportunities for export. The line would include offtakes to communities including Fairbanks, located at the Chatanika River.

Representative Hannan asked where the other anticipated offtakes were located.

Mr. Richards replied that in addition to Fairbanks, communities along the line could identify a need and commercial viability. He relayed that the Denali National Park was interested in an offtake to provide gas for conversion of its vehicle fleet from fuel oil to natural gas. The proposed line would tie into the Enstar system on both the north and south sides of Cook Inlet. He detailed that as the project moved forward and work was defined during the front end engineering and design (FEED), AGDC anticipated communities would identify their interest in having offtake from the project.

Representative Hannan asked for details on the term commercial viability. She asked if the offtake cost would have to be borne by subentities. She thought the Fairbanks offtake would be about 50 miles and that Fairbanks utilities would be responsible for paying the cost. She asked who would pay for the offtake pieces.

Mr. Richards answered that an offtake was a pressure reduction opportunity that would cost about \$1 million depending on its size. Specifically pertaining to Fairbanks, there was a lateral line that would lead from the Chatanika River over Murphy Dome. He detailed that AGDC designed the line and had it permitted under the Alaska Stand Alone Pipeline (ASAP) project. The cost of the specific project was currently estimated at roughly \$200 million. He elaborated that there were entities downstream that had the financial wherewithal to be able to sign the contracts that would pay the tolls coming off and through lateral lines into their communities. The offtake to Fairbanks had been designed for large [population] growth with potential use by military bases and conversion from coal to natural gas, the community of Fairbanks, and potentially the University [of Alaska Fairbanks]. He relayed that it would be a commitment by the utility in Fairbanks for the offtake from the pipeline to provide to customers. He noted it was similar to an offtake Enstar would have for its customers in Southcentral.

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Representative Hannan asked if the offtake agreements would require Regulatory Commission [of Alaska] action by a utility prior to signing and agreeing to a utility offtake.

Mr. Kissinger replied it was anticipated the Regulatory Commission of Alaska (RCA) would have a regulatory role for instate sales.

Mr. Richards concluded with slide 3. He relayed that the AKLNG facility [to be located in Nikiski] was designed to produce 20 million tons per annum of LNG. The latest estimate in 2023 was a total cost of \$44 billion. In early 2020, the project cost had been projected at \$38 billion. When the project had been provided to AGDC by the producers in 2017, its value was approximately \$43 billion. He stated AGDC had seen the benefits of optimizing the project, but the impacts of inflation and transportation costs had occurred since that time. He noted that the getting through FEED would enable AGDC to update the figure for 2025.

Co-Chair Josephson asked for verification that the cost for phase 1 of the project was nowhere near that amount.

Mr. Richards agreed.

Representative Galvin referenced Mr. Richards' statement that offshoots would be installed if commercially viable. She recalled Mr. Richards had stated the cost for an offshoot was about \$1 million. She assumed it depended on the size and location of the offshoot. She believed Mr. Richards had stated that there was something already built into the design for Fairbanks that would cost \$200 million. She asked why it was \$200 million for Fairbanks and \$1 million for other locations.

Mr. Richards explained that along the mainline pipeline where there was an interest to offtake gas there would be an interconnection point, which would cost about \$1 million to install. From that point, entities would develop lateral smaller diameter pipelines that would deliver gas from the interconnection point to a community. He clarified that the Fairbanks lateral line would extend 32 miles from Chatanika River over Murphy Dome to the University of Alaska and Fairbanks.

Co-Chair Josephson asked if the \$200 million was part of an ASAP project (HB 4).

Mr. Richards agreed that it had been designed and permitted under the ASAP project.

Co-Chair Josephson asked for verification that no infrastructure had been built; only a permit had been received.

Mr. Richards confirmed that it was permitted only.

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Representative Allard asked for clarification on what Mr. Richards meant when he used the words "close to" or "about" when referring to the dollar amounts. She asked if he was talking about a difference of pennies or millions of dollars.

Mr. Richards replied that he was talking about hundreds of millions of dollars.

Representative Allard understood that. She asked what Mr. Richards meant when he said, "close to \$44 billion." She asked if he meant within \$1 million of \$44 billion.

Mr. Richards recalled that the overall cost estimate was \$43.8 billion.

Representative Allard asked about the number of phases in the project.

Mr. Richards answered that he would begin to talk about the phases on slide 4.

Representative Bynum remarked that Mr. Richards had discussed known reserves of gas at the beginning of the presentation. He asked if all the financial assumptions were based off of what was actually known and did not assume any future exploration in the region.

Mr. Richards responded that the foundation of the project was going forward with proven gas reserves in Prudhoe Bay and Point Thomson. The project was not contingent on new finds or associated new developments.

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Mr. Richards turned to slide 4 titled "Phase 1 of Alaska LNG." He referred to AKLNG as an integrated project, meaning the permits AGDC received was for all of the design associated with the project including gas treatment, pipeline, and liquefaction. He detailed that when AGDC presented the project to the Federal Energy Regulatory Commission (FERC) it had been with the anticipation that there would be phases in construction of the gas treatment plant, liquefaction, and the pipeline. He relayed that the long-lead item was the gas treatment plant on the North Slope because it required sea lift modules to move everything into Prudhoe Bay. He relayed that AGDC talked with the legislature in 2024 about the option of moving forward with phase 1, which included the pipeline portion of the project leading from North Slope with an offtake in Fairbanks and tying into the existing Enstar distribution system in Southcentral Alaska. He explained that the project provided the opportunity to deliver gas to the Cook Inlet energy crisis currently facing the state. He elaborated that AGDC understood it would not necessarily meet the timelines of when the initial shortfall would occur, but moving forward with FEED meant the project could likely be installed and operating in 2031.

Mr. Richards detailed that the pipeline would be a 42-inch diameter buried line running from Prudhoe Bay running 747 miles south to tie into the existing Enstar Beluga pipeline on the north side of Cook Inlet. The concept would not include compression because the initial head compression at the start of the line would result in gas flowing the 747 miles. Once the pipeline was built and delivering gas to Alaskans, the second phase of the project could commence. Phase 2 would be construction of North Slope gas treatment, liquefaction in Nikiski, and the completion of the pipeline across Cook Inlet and from Point Thomson to Prudhoe Bay, and installing compressor stations necessary to flow the volumes to meet the liquefaction need.

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Representative Hannan asked if Enstar had given AGDC a price point at which Enstar was willing to go to the RCA to ask for the authority to use the gas in its regulated costs. She wondered when the state would know if Enstar would enter a long-term contract for gas coming off the North Slope.

Mr. Richards answered that the contracts with Enstar would be needed at the time of final investment decision (FID), which would follow FEED when costs were updated. He explained that once costs were updated AGDC would be able to provide Enstar with the gas and delivery costs.

Representative Hannan asked if the state would be bound to the price it shared with Enstar. She stated that Enstar would have to go to the RCA with predicted rate change from what it was currently paying. She considered that if a price was set at the end of FEED whether the state would be bound to deliver the gas at the specified price. Alternatively, she wondered if the price increased over the course of a \$43.8 billion build whether the state would still have to deliver the gas to Enstar at the set price.

Mr. Richards answered that Enstar would enter a contract with the pipeline developer at a cost that would underpin the financing. He detailed that it would likely include the cost of inflation. He stated that the beauty of the phasing approach, as there was additional demand or offtake from the project, the price Alaskans paid would decrease. He explained that due to the volume discount there would be more energy flowing down the pipe with offtakes that would

help underpin the cost, which would reduce the cost of the tariff Alaskans paid. The ultimate goal was to bring the price lower than the current price paid in Cook Inlet.

Co-Chair Josephson asked if there was any risk of having a stranded import LNG facility without any assurance there would be gas treatment and liquefaction. He asked if there could be a scenario where the state's domestic supply had been met, but the project never reached phase 2 and the state was left with an expensive Nikiski plant that had no particular value.

Mr. Kissinger replied that AGDC believed the issue was highly mitigated because the import solution was a prebuild of most of the export facilities. He detailed that very little of it would be considered stranded provided there were exports. He elaborated that during the FEED phase on the pipeline, the project would also be advancing LNG exports and entering into agreements for LNG sales into Asia. He relayed that by the time FID was reached there should be much more certainty that an export solution was coming. He expounded that the phasing approach meant the project was no longer bound to a 20 million ton per annum plant. He stated that the ability to build in increments was a game changer for advancing exports because it meant the state could market packets of 6.5 million tons per annum, which was quite doable to the state's allies in the Pacific.

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Representative Jimmie asked which communities were seen as commercially viable. She asked if communities that were not commercially viable would qualify for any gas delivery benefits.

Mr. Richards answered that when the legislature created AGDC it had included the Alaska Energy Relief Fund in statute. He explained that the fund was established to allow for communities without direct access to the pipeline to gain some benefit of the pipeline revenues coming into the state. He elaborated that some of the royalties the state would be receiving would go into the fund that could be used in communities off of the pipeline route. The question around commercially viable would mean a community would have to come forward with a plan for distribution of the gas into the community and the mechanism to be able to

pay for the gas. He elaborated that it would be a commercial arrangement entered into at the time the community identified it wanted the gas.

Co-Chair Schrage stated that communities would have to come forward for AGDC to make a determination as to whether they were commercially viable. He believed the state had some sense as to the size of community that would be needed to have enough offtake to be considered commercially viable. He cited Denali and Fairbanks as examples. He asked if there were other communities that could meet the threshold.

Mr. Richards replied that the pipeline would run down the middle of the state and unfortunately it did not connect with a substantial number of communities. He highlighted Nenana, Healy, Denali National Park, and Cantwell as potential candidates. He identified Minto as another potential community, but noted the lateral line going to Minto would be fairly long for a small community. He relayed that south of Cantwell the line would connect into the existing Enstar system.

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Mr. Richards moved to slide 5 titled "2024 Legislative Intent Language." The legislature had provided AGDC with intent language in 2024 after it had come to the legislature with the concept of the phase 1 pipeline. The opportunity to move forward meant that AGDC would have to engage a credible pipeline company with the wherewithal to design, construct, and operate the project. He stated that in conversations with "them, they've identified their willingness to go forward and fund the front end engineering and design." He elaborated that because the project was initially based on the offtake for Alaskans, the company wanted the ability to be paid through a backstop agreement if the project did not take FID. The legislature directed AGDC to hire an independent third-party consultant to look at the project, commercializing it for Alaska's needs and comparing it to the price of imported LNG, and to determine the positive economic value to the state. Wood Mackenzie had been contracted to do the analysis and its report to AGDC had been distributed to the committee. The report showed positive results and the price of gas defined by the independent third-party would meet or beat the price of imported LNG. He stated a positive

economic value to the state had been identified, even on phase 1 of the pipeline.

Representative Tomaszewski remarked that the directive to AGDC from SB 138 also asked it to work with the Department of Revenue (DOR) and Department of Natural Resources (DNR). He asked if DOR and DNR had been active in the negotiation and process.

Mr. Richards asked if Representative Tomaszewski was speaking about the independent evaluation by Wood Mackenzie or the project development.

Representative Tomaszewski clarified he was asking about the initial SB 138 in 2014 that started the process and the law directing AGDC to consult with DOR and DNR on the project. He asked if the departments and their commissioners had been part of the process.

Mr. Richards replied that he met with and talked with the commissioners of DOR and DNR regularly. He elaborated that AGDC had apprised the commissioners on progress being made. He recognized AGDC had a consultation obligation under statute referenced in SB 138 and it would continue to meet with the departments as the project development agreements advanced.

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Mr. Richards turned to slide 7 and discussed the Wood Mackenzie study. The purpose of the report was to have an independent third-party economic analysis of phase 1 of the pipeline. He detailed that Wood Mackenzie had received specific guidance to look at the cost of imported LNG and to identify the economic benefits to the state including the jobs. He briefly turned to the Wood Mackenzie analysis on slide 8. The bar on the left side of the chart reflected the total LNG import cost range. He explained that Wood Mackenzie had built up what the cost of imported LNG would be; it included the cost of buying LNG on the market somewhere in the Pacific Basin and the transportation of the LNG into Cook Inlet including the cost and development of the associated contracts. He explained that the analysis did not include the onshore reception cost for the dock, loading berth, and associated pipelines to move the LNG from a floating storage and re-gas unit into the pipeline distribution system within Southcentral Alaska. He pointed

to a red arrow next to the left bar indicating an unknown cost that could range from \$50 million to \$700 million. He explained that Wood Mackenzie had not been able to define the cost and had left it as a future cost. The cost represented LNG into Alaska from \$10.21 to \$13.72 per million btu.

Mr. Richards continued to review slide 8. The right side of the chart showed the results of the Wood Mackenzie analysis that looked at four cases for the price of gas from a phase 1 project. The baseload case looked at the current consumption rates in Southcentral at a price of \$12.80 (within the range of imported LNG). The Wood Mackenzie case looked out into the future and indicated that Alaska utilities had a desire to reduce their gas consumption and carbon footprint and they were looking to install renewables; therefore, the consumption rate would decrease. The analysis also considered some of the existing needs within Southcentral Alaska including industrial demand such as the refinery at Marathon where they had been using their own propane instead of natural gas. He stated that it resulted in a lower long-term consumption rate with a cost of gas at \$11.20. He pointed to the third case reflecting additional industrial demand from existing industries such as the Agrium ammonia plant, a new ammonia plant, a data center, mine, or another development that wanted additional offtake. Under the third case scenario, the price would go down to \$8.97. He stated that the price benefit to Alaskans from more consumption of gas off the pipeline would mean lower cost of energy. The fourth case reflected a scenario where the full AKLNG project was in production and producing 20 million tons for export and 500 million standard cubic feet for instate needs.

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Co-Chair Josephson stated that according to Enstar and the other utilities the likelihood of needing to build an import facility was present. He asked how it factored into the analysis.

Mr. Richards answered that the red arrow on slide 8 represented the piece of infrastructure that would need to be developed at Nikiski. The developer of the project would bear the cost, which would be borne on the contracts the developer entered into with utilities for offtake.

Representative Tomaszewski imagined there would be long term contracts involved with the construction of an import facility. He asked if it would reduce the likelihood a gasline would be built.

Mr. Richards responded that the import facility would be based on long-term contracts with utilities that wanted offtake in Southcentral. He relayed that AGDC's effort and motivation was to build the pipeline to bring large volumes of gas to Alaskans at a lower cost. There would be a contract for import initially but there would be an out clause specifying that when pipeline gas showed up they could convert from import to pipeline gas at a lower cost.

Mr. Kissinger elaborated that almost all of the facilities were part of the export facility. There would be a short period of time where there may be pipeline gas coming "and you're still bearing some cost on those facilities." The price would still be below what it was when importing LNG. Once it was converted to the export facility, the costs would be borne by exporters. There would even potentially be a payment back for the temporary use of the facility associated with the import project.

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Representative Tomaszewski was excited about a gas pipeline, but he likened the scenario of Alaska importing gas to Columbia importing coffee. He stated it went against his feelings on the subject.

Mr. Richards understood.

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Mr. Richards turned to slide 9 titled "Phase 1 Jobs." He relayed that Wood Mackenzie had been directed to look at the job differential between an imported LNG facility versus a pipeline. The two job categories considered were "construction phase" and "operations phase" both broken into direct and indirect jobs. The study found that 2,271 direct and indirect jobs would be created in Alaska during the initial phase of the project that would happen over a three to four-year period. The project would utilize civil and pipeline contractors in Alaska with the equipment and wherewithal to accomplish the work. He detailed that much of the work included civil work such as road building

project putting utility in the ditch. He believed Alaskans would fill the vast majority of the jobs, which would keep the money in the state. The study found there would be 1,138 direct and indirect jobs created during the operations phase of the project.

Representative Hannan heard a lot from contractors about not being able to get employees. She referenced Mr. Richards' statement that 2,000 Alaskans would be working on the project. She highlighted that some of the work was very specialized. She wondered how many contracting firms in Alaska had the capacity to bid to do the work.

Mr. Richards agreed that Alaskan contractors were finding it difficult to fill jobs across the spectrum in trades, retail, and hospitality; however, there were existing jobs being filled by Alaskans on the North Slope. He explained that the skillsets could be transferred from the oil and gas fields to the construction fields. The specialty work associated with building the pipeline was around welding. He remarked that Alaska was not experienced building large scale pipelines; therefore, the expertise would likely be brought in. He noted that potentially individuals would be trained in Alaska prior to beginning work on the project. He noted there had been technological advances that enabled the use of automatic welders, meaning the number of welders required would be lower. He believed Alaskans had the skill set to do the civil work including construction of rights of way, material sites, hauling gravel, and digging the trench. Whether it would be a drill and shoot [excavation] or a train trencher would be determined during FEED. He stated his goal to articulate to the public, labor unions, and contractors that AGDC wanted them to have the access and ability to construct the project.

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Representative Hannan stated that contractors in Alaska were required to have bonding when they were doing projects for the public. She asked what kind of bonding capacity a contractor building the pipeline would be required to have. She asked if they would need to have \$1 billion in bonding in order to work on the project. She had heard there were not any Alaskan contracting firms large enough to do the big work on the project. She understood there were many contractors in the state with the ability to move gravel and do the civil work, but there were only a few in the

country that were large enough to do the work envisioned under the project. She was hearing Mr. Richards say that was not true.

Mr. Richards answered that ultimately the contracts would be borne by the project developer. He noted that AGDC was trying to entice a private sector developer to take the project on. He would follow up with information on what the bonding requirements would be. The 747-mile pipeline would likely be comprised of four construction spreads, meaning four major contractors would be hired to do the work on each of the spreads including a pipeline contractor and a civil contractor.

Representative Bynum thought it sounded like a tremendous opportunity for workforce development. He wondered if there had been an evaluation done to look at how the construction phasing could happen to ramp up workforce production from within Alaska.

Mr. Richards replied that a workforce development plan for the AKLNG project was developed in an effort led by ExxonMobil. He explained that the plan would have to be updated during the FEED stage. He relayed that AGDC was in communications with labor unions and contractors about the number of individuals and skill sets that would be needed to construct the project. He hoped to work on the development on ensuring there would be trained and skilled workforce to construct the project.

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Representative Bynum viewed it as a tremendous opportunity to create a workforce in Alaska. He looked forward to seeing the plan as the project moved forward.

Mr. Richards advanced to the economic impact on slide 10. He stated that the positive economic impact to Alaska for AKLNG phase 1 was 7 to 10 times larger than imported LNG. He detailed that for phase 1, the instate economic impacts represented about \$10.3 billion.

Mr. Kissinger discussed the evolution to private developers on slide 12. He relayed that had been producer-led at the start by ExxonMobil, ConocoPhillips, BP, and the State of Alaska. He noted the state had taken quite a bit of risk at the time as a 25 percent paying equity owner. He detailed

that the producers were never well situated for building the mid-stream infrastructure due to the high cost of capital. He explained it was the conclusion that was reached in 2016. Producers had hired Wood Mackenzie to look at what the project should do at the time, and the Wood Mackenzie recommendation was to lower the cost of capital through pursuing things like project financing. He relayed that the emergence of much more nimble developers in the Gulf of Mexico was becoming apparent at the time. Wood Mackenzie had recommended bringing on those types of developers, which also had lower costs of capital.

Mr. Kissinger continued reviewing the evolution to private developers on slide 12. The project had been handed to the state and there was a period of time where the project continued to be held together as a large integrated project trying to follow the Gulf of Mexico model where LNG was underpinned by selling LNG into Asia. He noted the large size of the project. In 2019, the importance of further of attracting more nimble developers had been determined and the state had decided to segment the project and to find a specific pipeline company, a more specific LNG developer, and a more specific Arctic carbon capture developer. The decisions ultimately led to the "developer-led" or the "alignment first" model. He explained that parties involved had to align and the risks had to be allocated properly in order to move forward on an economic project. The work had been taking place over the past two years and AGDC had brought a major North American pipeline company to the table that had been with the project for several years. He elaborated that the company brought depth and was large in size. He relayed that in the past year AGDC had begun working with Glenfarne, which fit more of a "quarterback" role. He noted that additional depth teamed up with the company would be needed and the parties would carry the project forward.

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Representative Galvin appreciated information on the differences of the approach [historically]. She asked about the language on slide 12 "transition to world-class private parties." She remarked that the state was still getting money from the existing [TAPS] oil pipeline and was happy about it because money was used for schools and other things. She asked if transitioning the project to private parties meant the state would get a lower share. She

appreciated the concept and importance of lower energy costs for Alaskans, but she wondered if the state would also see revenue to help fill budgetary holes.

Mr. Kissinger replied that the state started with holding 25 percent of the bag and it was now holding 100 percent. He explained that AGDC was providing the state with the opportunity to continue holding 25 percent, but not the obligation. Under the framework AGDC was aiming for with Glenfarne the developer would pay the state's cost through to FID. He elaborated that FID the state would have to decide whether it wanted to make the 25 percent investment into the project.

Representative Galvin asked about the acronym FID.

Mr. Kissinger answered that FID stood for final investment decision.

Representative Galvin stated her understanding that the state was being asked if it wanted to stay at the table by contributing to the cost in order to receive more revenue. She wanted to understand the terms and how much money the state was expected to contribute in order to remain at the table.

Mr. Richards highlighted a list of acronyms that the end of the presentation for members' reference.

Co-Chair Josephson stated that when he had looked at the project in 2013 there had been \$12 billion in the CBR and \$2 billion in the Statutory Budget Reserve (SBR) and theoretically the state could have written a check to cover the cost of investment. He noted that AKLNG was a \$10 billion to \$11 billion project in phase 1. He asked for verification that the state would be responsible for \$2.5 billion to \$3 billion. He asked how the state would pay for the cost.

Mr. Richards answered that the FEED stage would provide the updated information and would enable contracts to be put in place in order to make FID. He noted there was a slide later in the presentation that addressed everything that would need to be put in place. He explained that AGDC was reserving up to 25 percent ownership rights for the state if it chose to be an equity participant. He clarified that it was not an obligation, but a right. He noted the

decision would be a policy call for the legislature and administration. There would be an updated cost estimate as the project moved forward and AGDC would come back to the legislature asking whether it wanted the state to be a partner in the project.

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Representative Johnson referenced reports by Wood Mackenzie. She stated they were looking at a \$50 million fast track supplemental for the project, which was the first decision the legislature would have to make. She remarked that the winds had changed in Washington D.C. She wanted to hear about what may be going on at the federal level that may have an impact. She was thinking about potential state exposure. She wanted to hear how Enbridge was different than a number of other deals. She referenced the phrase "there's a gasline in Alaska's future and there always will be." She hoped it was not true. She believed the project was a good thing for the state, but she wanted to make sure to get to something concrete. She stated the funds allocated to the project had been depleted and now there was another \$50 million request for FID. She was interested to hear what may be different currently versus in the past due to federal change.

Mr. Richards remarked on the change at the federal level with the recent inauguration of President Trump and the support for Alaska resource development and AKLNG in the president's executive orders. He relayed that President Trump had been very supportive of the project in his first term. He detailed that the project's authorizations, permits, and rights of way were granted during that time. The project retained all of the permits and authorizations under President Biden. He noted that President Biden and the Department of Justice fought for the authorizations in the U.S. District Court. President Trump and the Department of Justice would see through the final hearing on the Department of Energy authorization. He elaborated that President Trump's executive orders came out in specific support stating they would put the full faith in credit of the U.S. government behind the project. He explained that the engagement with the federal government was about the utilization and access to the federal loan guarantees. In 2004, there were \$18 billion in loan guarantees written into the Alaska Natural Gas Pipeline Act written by Senator Stevens. He noted that the act had an inflation factor;

therefore, the loan guarantees were currently in excess of \$30 billion.

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Mr. Richards explained that the project needed regulations from the U.S. Department of Energy in order to access the funds. He stated that AGDC's primary ask of the Trump administration was to get the regulations promulgated by the Department of Energy in order for developers of the project to utilize the loans and bring down the cost of debt financing because of the full faith and credit of the U.S. government backing the financing and benefit the overall construction and cost to Alaskans. The loan guarantees would help bring down the cost of Alaskan gas.

Representative Johnson remarked that Enbridge is a Canadian firm and the state had dealt with plenty of Canadian firms when it came to gas. She thought it was the case with Enstar. She remarked that there was a lot of talk, things were moving rapidly, and they did not know about tariffs and what it would be like dealing with a foreign company. She referenced the Trump administration and asked if Mr. Richards had any sense of the differences of dealing with a foreign company versus a U.S. company.

Mr. Richards replied that he had not heard any negative talk about working with enterprises from other countries. He stated that the primary goal would be to sell the liquefied natural gas to Asian countries, which would ultimately help the trade imbalance. He elaborated that there would likely be a \$10 billion positive impact on the trade imbalances from selling into the Asian countries wanting the LNG.

Co-Chair Josephson recommended holding off on questions to allow the presentation to continue.

Mr. Richards continued to slide 13 titled "Equity Offer for Investors." He relayed that AGDC had been out marketing the project as an [attractive] investment because it had the best economics of any North American project, all major permits, beneficial equity terms, and local support. He addressed the AGDC equity offer highlights on the lower half of the slide:

Majority ownership and control of Alaska LNG in exchange for:

- Funding development costs to FID
- Commitment to move Alaska LNG forward on fast timeline
- Preferential in-state gas supply
- Opportunity for Alaska to invest

Mr. Richards noted that one of the roles SB 138 gave to the Department of Revenue was to create a mechanism for Alaskans to invest.

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Mr. Kissinger turned to slide 15 titled "Glenfarne Mission and Vision." He detailed that Glenfarne was a global energy transition specialist that started just over ten years ago buying power plants and adding solar energy to create a mix of renewable and grid stability/natural gas fired energy across different countries in South America. He elaborated that Glenfarne was a multibillion dollar asset company with sufficient cash to take AKLNG through FID. He noted AGDC estimated that cost to be \$150 million. The company had about 800 employees operating its facilities and was headquartered in New York and Houston. Additionally, the company held onto assets; it still had ownership of every asset it had taken hold of, which aligned with AGDC's vision for AKLNG.

Co-Chair Josephson asked if it was an American company.

Mr. Kissinger responded affirmatively. The company was headquartered in New York and Houston with operations all over. He moved to slide 17 titled "Glenfarne Term Sheet." He noted that binding agreements would come later on. He relayed that Glenfarne had committed to capitalize the project in the term sheet to take it all the way to FID. He explained that Glenfarne would obtain a 75 percent equity position and would use it to bring in other investors. He explained it was important to AGDC that the project did not stall; therefore, the agreement would include milestones to ensure the project continued moving forward. He noted that the process set the whole project up through FID.

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Mr. Richards addressed the FEED backstop and phase 1 development. He explained that a backstop agreement was a commercial arrangement where the initial costs of work covered by the pipeline development company would only be reimbursed if the project did not take FID. He explained that if FID did not occur it was because something happened such as the doubling or tripling of the project cost making the project no longer economic. He explained that if the project did not take FID, the development company would be reimbursed up to a maximum amount of \$50 million.

Mr. Richards turned to slide 19 and discussed the AKLNG corporate structure. He discussed that AGDC, as a state corporation, was marketing the project and had an interested investor. He relayed that as a state corporation, AGDC could not divest itself; the State of Alaska was full owner of AGDC, but it had given AGDC the right to create subsidiaries. He detailed that AGDC had created 8 Star Alaska, LLC as a vehicle for bringing in third-party investment and control of AKLNG. He pointed to a diagram on the slide showing 8 Star Alaska with three separate LLC subprojects underneath including carbon capture, the pipeline, and the liquefaction facility. He explained that all of the permits were incorporated into the integrated AKLNG project, which was the reason all of the assets were all held within 8 Star Alaska. He elaborated that AGDC was reserving the right for the state to invest up to 25 percent in each of the three subprojects.

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Mr. Richards moved to the FEED backstop timeline on slide 20. He relayed that after hiring Wood Mackenzie and determining there was positive economic value to the project, AGDC began talking with the Alaska Industrial Development and Export Authority (AIDEA) as a sister corporation to determine whether the project would meet its investment criteria. The idea was to initiate FEED as quickly as possible to get ultimately to FID and operation. After consultations with AIDEA, AGDC had applied through the AIDEA process. In a December 4 board meeting, AIDEA adopted a resolution authorizing its executive director to negotiate binding agreements with AGDC on the FEED backstop. The process would involve a development finance agreement between 8 Star Alaska and AIDEA. Additionally, 8 Star Alaska would enter into an agreement with a pipeline

company to execute FEED and backstop agreement. He explained that AIDEA would put money in an interest earning account that would only be used as a backstop if the project did not take FID.

Co-Chair Josephson stated that AIDEA was in a position of cash and investments exceeding \$600 million. He thought he had read that AIDEA would backstop the funds without general funds. He asked if it would be an option for the legislature to authorize. He did not recall whether AIDEA could do it without authority.

Mr. Richards deferred the question to AIDEA.

[3:06:47 PM](#)

RANDY RUARO, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (via teleconference), stated his understanding of the question.

Co-Chair Josephson agreed.

Mr. Ruaro clarified that the amount would be up to the amount actually required by AIDEA to pay for the backstop. He explained that the amount for the FEED work and a trigger of the backstop could be significantly lower than \$50 million. The \$50 million exposure to AIDEA was the maximum amount the board authorized. He suggested that the language associated with the appropriation should probably be adjusted to reflect only the actual amount AIDEA would be required to pay if any. He underscored that AIDEA did not want to make a profit off of the appropriation. He stated the appropriation should not be larger than the amount AIDEA was exposed to. He added that at the time the request was made, the timing of FEED completion and the availability of different credit facilities was unclear. He noted that it was clear from slide 30 and other discussions that FID would not be taken until 2027. He relayed that FID was what would trigger any liability for AIDEA to pay the backstop. He reasoned that the timing meant it was likely not necessary to have the appropriation in a fast track supplemental. He suggested the appropriation could likely be run through the regular capital budget.

Mr. Ruaro answered that AIDEA could go forward without an appropriation. He relayed that AIDEA was starting to get stretched on its resources. He elaborated that it had

roughly \$400 million in its revolving fund account. The board had approved \$200 million in projects for Alyeschem, Hex Furie, the Aviator Hotel, and AKLNG. Additionally, AIDEA was hoping to keep \$100 million in reserve in case it needed to bond for a large project. The combined items brought AIDEA's available cash to a much lower level. He clarified that AIDEA had funds invested in fixed income investments, but some of the investments were on a six-year horizon and had been negatively impacted by previous interest rate policies and other things. He relayed that AIDEA may incur some realized losses if those investments were moved to cash. He noted that AIDEA was also working on determining its liquidity. He stated that the appropriation could be amended and placed in the capital budget and AIDEA could go forward without an appropriation. He relayed that AIDEA would like to be able to keep its liquidity at a high level and was putting funds to work in the state per its mission; it was running at an 8 to 10 times average over previous years. The agency had hundreds of millions of dollars in projects before it.

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Representative Josephson asked what would happen if the legislature advanced \$50 million in general funds in the FY 26 capital budget for FID in June of 2027. He asked if it would indicate a lack of enthusiasm that would concern AIDEA.

Mr. Richards stated his understanding of the question. He asked if in addition to the ongoing negotiations with AIDEA for the \$50 million in backstop funding, an increment would be included in the FY 26 budget. He did not believe it would be viewed negatively by the market in terms of timing of the backstop. He stated it was really about the impact to AIDEA's ability to utilize funds for its mission of creation of jobs and the economy.

Representative Allard asked if AIDEA had a breakdown of its total funds.

Mr. Ruaro replied that AIDEA's detailed financial statements were available on its website. The authority had roughly \$400 million in cash and \$200 million of the total was committed to various projects. Additionally, AIDEA liked to keep \$100 million in reserve for bond authority. He elaborated that AIDEA had a loan participation portfolio

of roughly \$400 million, partial access of the Red Dog road and other hard assets, and roughly \$400 million invested in fixed income.

Representative Allard asked if they were looking at selling the LNG to countries like Japan or China in the future.

Mr. Richards answered affirmatively. He relayed that markets for the LNG would all be in the Pacific Basin including countries like Korea, Japan, and Southeast Asia including China. He explained that the countries had keen interest in buying the LNG, similar to buying Alaskan fish and other Alaskan products.

Representative Allard wanted to make sure that Alaskans came first. She thought it was a bit alarming the state would sell its LNG. She wondered how much China would undercut everything.

Mr. Richards replied that the focus was on gas to Alaskans first and bringing it at the lowest cost. The contracts for the LNG offtakes would be developed knowing the countries and the actions they had undertaken to ensure Alaska would be covered in terms of the financial commitments to move the project with offtake agreements.

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Representative Hannan stated her recollection from the budget overview by the Office of Management and Budget was that the fast track supplemental \$50 million backstop was unrestricted general funds.

Co-Chair Josephson replied affirmatively.

Representative Hannan had heard during the current meeting from Mr. Richards and Mr. Ruaro about AIDEA agreements and funding the backstop. She remarked that Mr. Ruaro was describing AIDEA as a little cash pressed, which committee members may also be feeling. She thought Mr. Richards' discussion about continuing to discuss the FEED backstop with the AIDEA board, which she thought implied using AIDEA's funding.

Mr. Richards confirmed that AGDC was negotiating with AIDEA for utilization of ADIEA funds to set aside for FEED backstop.

Representative Hannan asked if there was a sense of how much the FEED totality could be. She referenced Mr. Richards' use of the 75/25 state risk. She wondered if the entire backstop risk for the FEED decision was to the state. She asked if none of the private parties took any risk if FID was not reached.

Mr. Richards relayed that the FEED backstop was for the phase 1 pipeline. The entire AKLNG project to get to FID was estimated to be \$150 million. He relayed that the backstop would assist with bringing the pipeline first for Alaskans use. The private developer coming into the project would have the commitment to do all of the remaining work.

Representative Hannan asked if the anticipated cost up to the point of potentially needing to fill the backstop was up to \$50 million.

Mr. Richards clarified that for the phase 1 pipeline there was a maximum of up to \$50 million.

Representative Allard asked if AGDC did not agree that AIDEA should be funding the backstop fully.

Mr. Richards answered that the proposal AGDC took to AIDEA was for the phase 1 pipeline. The agreement was for AIDEA to provide the backstop for the design of the pipeline only. The other phase of the project, which included two plants and the remainder of the pipeline and compressor stations would be paid for by the private developer.

Co-Chair Josephson suggested getting through slide 24 and addressing slide 32.

[3:20:12 PM](#)

Mr. Richards moved to slide 23 titled "Conditions to Enter FID." He asked Mr. Kissinger to review the slide.

Mr. Kissinger reviewed slide 23. He spoke about underpinning the full LNG project. He explained that AKLNG would place its LNG into the market with credit worthy counterparties. The agreements with credit worthy counter parties could be taken to the bank along with other equity investors to do the debt financing and equity financing. Additionally, the North Slope gas supply was needed because

the project had to be able to sell and liquify the gas. He stated there may be gas offtake agreements to the industrial users and there would be gas offtake within Alaska to utilities. That credit support would only be under phase 1 and the Asian credit support would come into place under the remainder of the project phases. He relayed that the project had all of the permits required for the project. Additionally, a Class 3 and Class 4 cost estimate was needed. He noted that the project had the Class 4 cost estimate. He noted that FEED generally went from a Class 4 to a Class 3 cost estimate. Finally, a project was required to have a signed EPC [engineering, procurement, and construction] contracts with a contractor or multiple contractors in the case of AKLNG. The elements listed on slide 23 allowed the equity investors to release their funds into the project, which took place at FID.

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Mr. Richards turned to slide 24 and discussed the North Slope gas supply for phase 1 of the project. He relayed that AGDC had entered into a gas agreement with a new developer Great Bear Pantheon at a low cost of less than \$1.00 per MMBtu. He detailed that if the company was successful in getting to development, it would provide the state with a significant amount of gas at a very low cost. He added that the location was directly along the pipeline corridor and Dalton Highway, which was close and adjacent to the pipeline. He elaborated that Great Bear was looking to move forward to get to production, but a backup supply was important. He shared AGDC had continued to have conversations about a backup supply with unit owners in Point Thomson, Prudhoe Bay, and in Prudhoe Bay satellite fields.

Mr. Richards moved to slide 26 showing the federal executive orders and the prioritization of the AKLNG project. He highlighted support for AKLNG expressed by [Secretary of the Interior] Doug Burgum and Chris Wright from the Department of Energy.

Co-Chair Josephson stated that the TransCanada proposal had been an exclusive agreement with TransCanada for some parts of the project. He remarked that when the state had not been prepared to move forward there had been a deadline on buying out TransCanada's interest. He noted the legislature spent a month in special session addressing the issue in

the middle teens. He was concerned about the exclusivity provision. He asked if the state's investment surrendered would be \$50 million if the current proposal did not move forward. Alternatively, he wondered if the state would be required to buy out Glenfarne's interest or Enbridge's interest.

Mr. Richards clarified that what was described in the presentation was vastly different than the AGIA [Alaska Gasline Inducement Act] agreement the state gave to TransCanada. He elaborated that in the case of AGIA, TransCanada sought reimbursement from the State of Alaska for all of the development work to advance the project. He detailed that TransCanada partnered with ExxonMobil and he believed the ultimate bill was close to \$500 million. Under the current proposal, AGDC was asking Glenfarne as a private developer to commit its own dollars without asking the state to pay to advance to FID. He explained that one of the fundamental differences [from AGIA] was that Glenfarne was stepping forward with its funds because it saw the value of benefit and economic upside of the project.

Co-Chair Josephson asked relative to the TransCanada license if Glenfarne carried more risk in that situation than the state did.

Mr. Richards agreed. He detailed that Glenfarne would have the risk in terms of the development. He elaborated that Glenfarne would seek other partners to come into the project that had expertise in various areas such as liquefaction, gas treatment, or pipeline in order to help try to mitigate the risk and to share in the risk profiles. He noted that Glenfarne would likely be in Juneau in a couple of weeks, and he hoped to have the opportunity to introduce him to legislators.

[3:27:32 PM](#)

Co-Chair Josephson noted that AGDC had been asked by the Senate about its working closely with Goldman Sachs and that they were invested in making sure the financial support for the project was there. He asked if the committee should be concerned about their absence under the current arrangement.

Mr. Richards replied that AGDC still had a working relationship with Goldman Sachs. He relayed that AGDC was meeting with the lead party Michael Sachs the following day. He expounded that AGDC and Goldman had been out on the world market seeking developers and investors to come into the project.

Representative Tomaszewski asked how much capital AGDC had raised for the project so far.

Mr. Richards answered that AGDC was seeking to raise \$150 million to take the project through FEED to FID. He reported that AGDC was currently negotiating project development agreements with Glenfarne to move forward.

Representative Tomaszewski asked for verification that AGDC created 8 Star Alaska, LLC.

Mr. Richards agreed.

Representative Tomaszewski asked who would own 8 Star Alaska.

Mr. Richards replied that AGDC was currently the sole owner of 8 Star Alaska. When AGDC entered into the project development agreement with Glenfarne, it would gain 75 percent ownership rights of 8 Star Alaska.

Representative Tomaszewski asked for verification that Glenfarne would own 75 percent of 8 Star and 8 Star would own all three components of AKLNG including the carbon capture, pipeline, and LNG.

Mr. Richards answered it would be a 75/25 split.

Co-Chair Josephson interjected that it would be with further state investment.

Mr. Richards confirmed that the state's right [to 25 percent ownership] would be reserved.

Representative Tomaszewski asked for verification that there was no current agreement on phase 2 of the project, which would depend on many factors.

Mr. Richards clarified the agreement was for the full project. He explained that phase 1 was a priority to get

gas to Alaskans, but phase 2 was extremely important to be able to ultimately commercialize North Slope resources in order for Alaskans to get the volume discount and the state received revenues from income taxes, royalties, production taxes, property taxes etcetera.

[3:30:45 PM](#)

Representative Tomaszewski was excited about a gas pipeline. He wanted to see DOR and DNR's take on the pipeline. He noted that the original SB 138 in the 28th legislature dictated the terms. He believed it was the state's fiduciary responsibility to have all parties involved. He suggested hearing from all of the entities in a future committee meeting.

Co-Chair Josephson indicated that the opportunity would be provided.

Representative Bynum asked if the 25 percent share was limited to that amount. Alternatively, he asked if the state chose to make a better investment, it would have the ability to own a larger share.

Mr. Richards answered that AGDC was currently reserving the option of up to 25 percent. He noted it did not mean there could not be negotiation on the matter in the future.

Co-Chair Josephson reviewed the schedule for the following day.

#

ADJOURNMENT

[3:32:12 PM](#)

The meeting was adjourned at 3:32 p.m.