



# Essential Steps in Obtaining a Healthy Oil and Gas Industry

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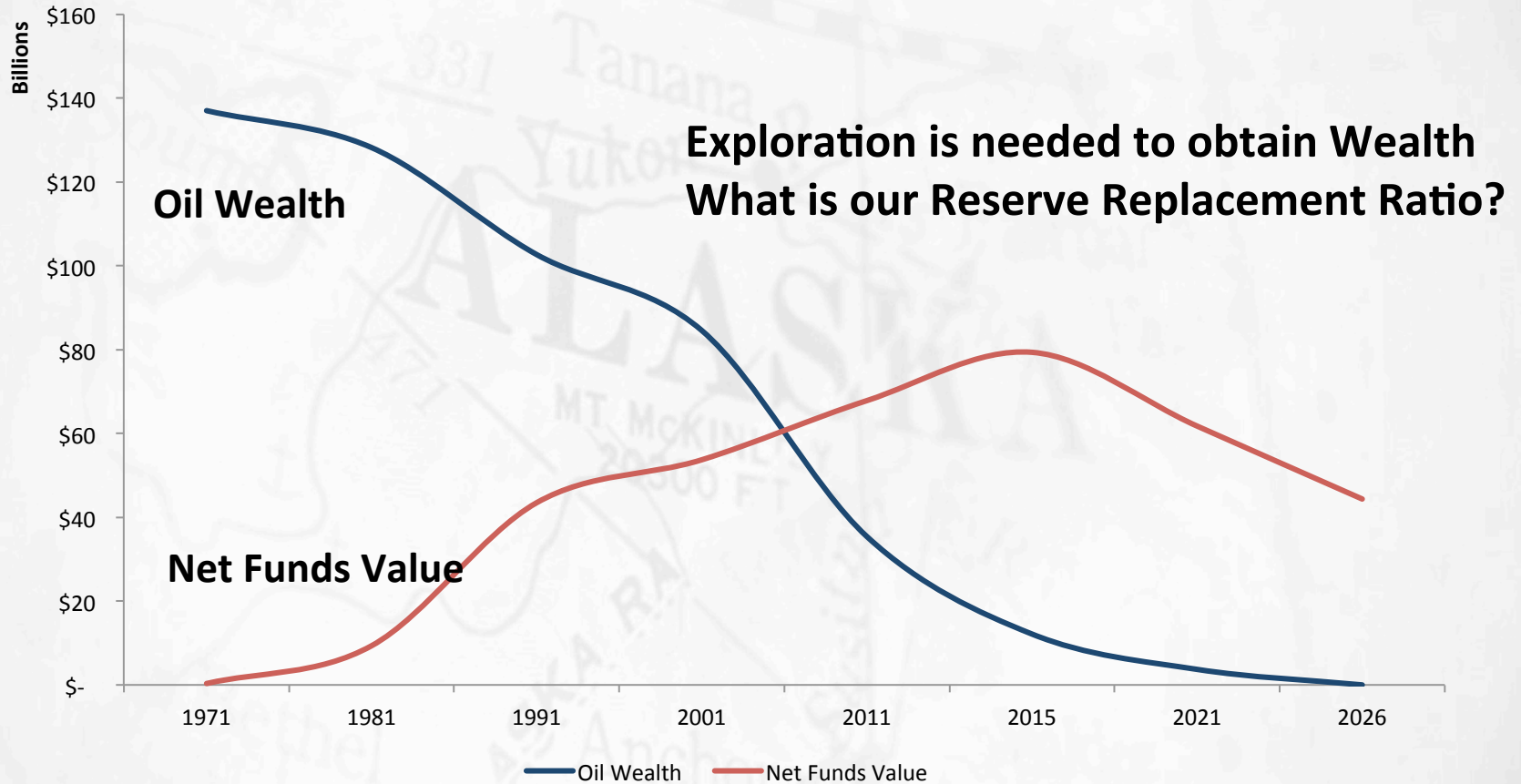
# Steps

- **Realization**
  - We are a Resource State
- **Education**
  - Alaskans should have a basic knowledge of all our natural resources
  - H.S. Students should be provided this knowledge and state economics
- **Understanding**
  - Where we have been
  - Where we are
  - Where we are going or want to go
- **Bankable = Trust**
  - Consistent
  - Predictable
- **We have to be Competitive to Monetize Our Assets**
  - De-bottlenecking oil and gas
    - Physical
    - Process

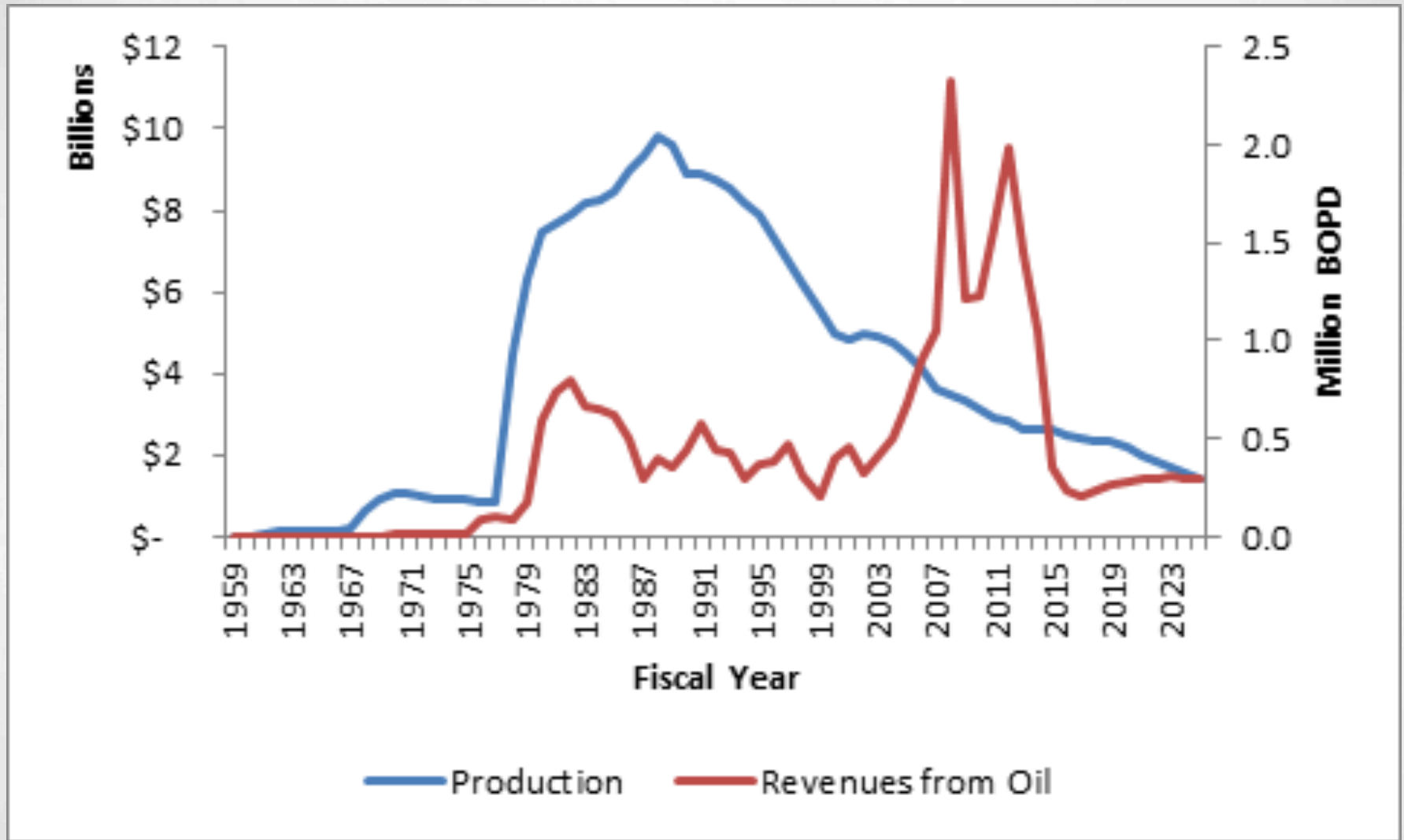


# Understanding Our Performance

## Asset Balance (Realized Oil and Net Position)

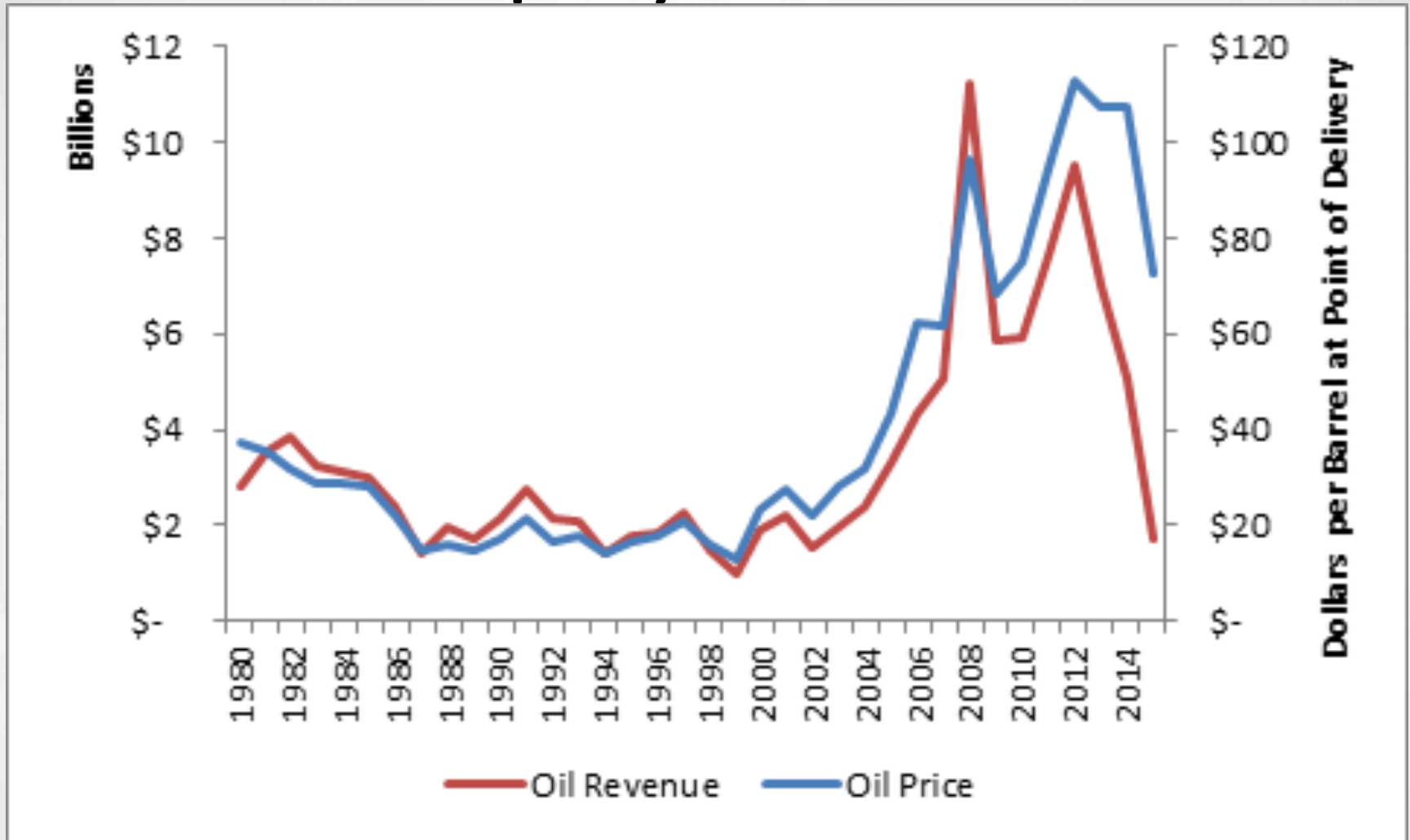


# We Cannot Control Oil Prices



We cannot control oil prices but we have the ability to control exploration, development, production, and stranded production.

# It wasn't tax policy that drove revenues



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# How to be Competitive

## We need Equalizers

- Pro industry government/**residents**
- Predictable, consistent, stable
- Financial
- Ready skilled workforce
- Long term development planning **“We Live”**



# Development Planning

- Ask ourselves what does the North Slope look like in 2050?
- Are we Alaskans aligned with the Federal Government? Are we Alaskans aligned?
- Is their future view the same as ours?
  - If not, we are not managing the N.S. properly
  - We are not managing our future
  - As Alaskan's we are not living to our potential....this is one entitlement I will support!
- We should be doing this for every region in Alaska to maximize the benefit to Alaskans.

# Development Planning

- We need to manage permit areas via Master Plan
  - What is the carrying capacity now and in the future?
    - Cultural
    - Environmental
    - Industry
  - Alignment (Fed, State, Cultural, Subsistence, Tribal, etc..)
  - Without alignment we will have an inefficient system which will drive companies away and unnecessarily burden our environment
  - Batch Permit areas to lease from Seismic to Production
  - Make it an evergreen Model to account for learnings, technology changes
- Leasing
  - Leasing with seismic data
  - Lease with permits from Exploration to Production
  - Infrastructure sharing



# Improve Permitting Process

- We need a single coordinator of All Federal Permits .....if not, we need to do it!
  - OPMP Model
  - Understand Alaska's uniqueness
  - Minimize duplication
  - Minimize fees
  - Alignment between agencies



# Monetize our Assets

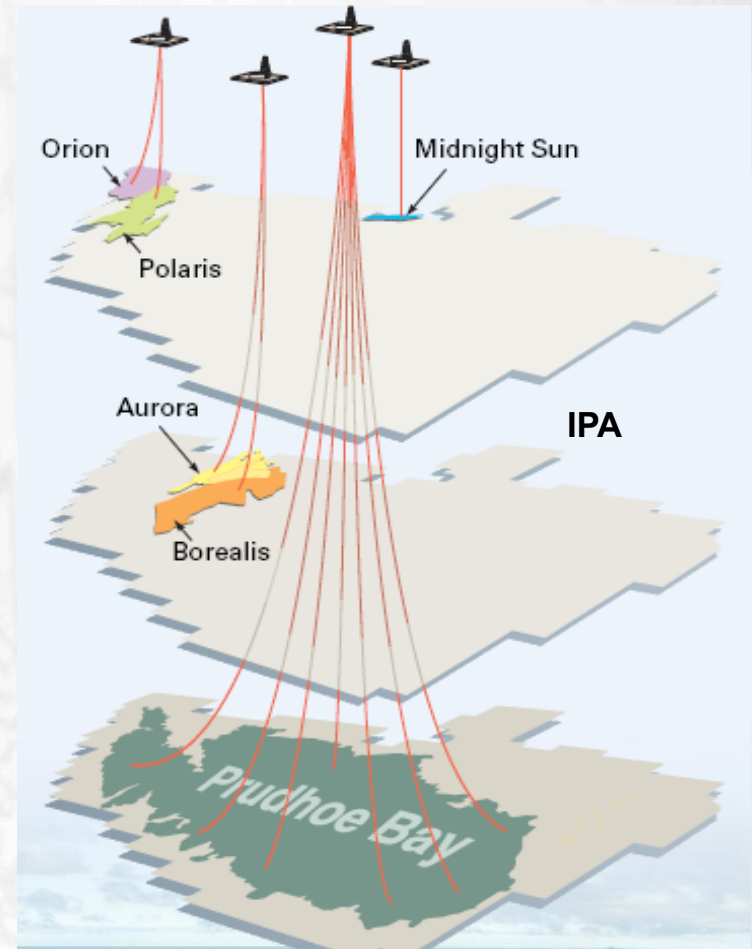
- Maximize ultimate recovery in our fields
- Manage Alaska's reserve replacement ratio
- Encourage new technology
- Minimize the time from exploration to production
- Ensure assets are not stranded



# Our Largest Known Stranded Resource: Natural Gas

## USGS estimates of Alaska North Slope gas:

- ✓ 35 Tcf proven.
- ✓ 200+ Tcf conventional.

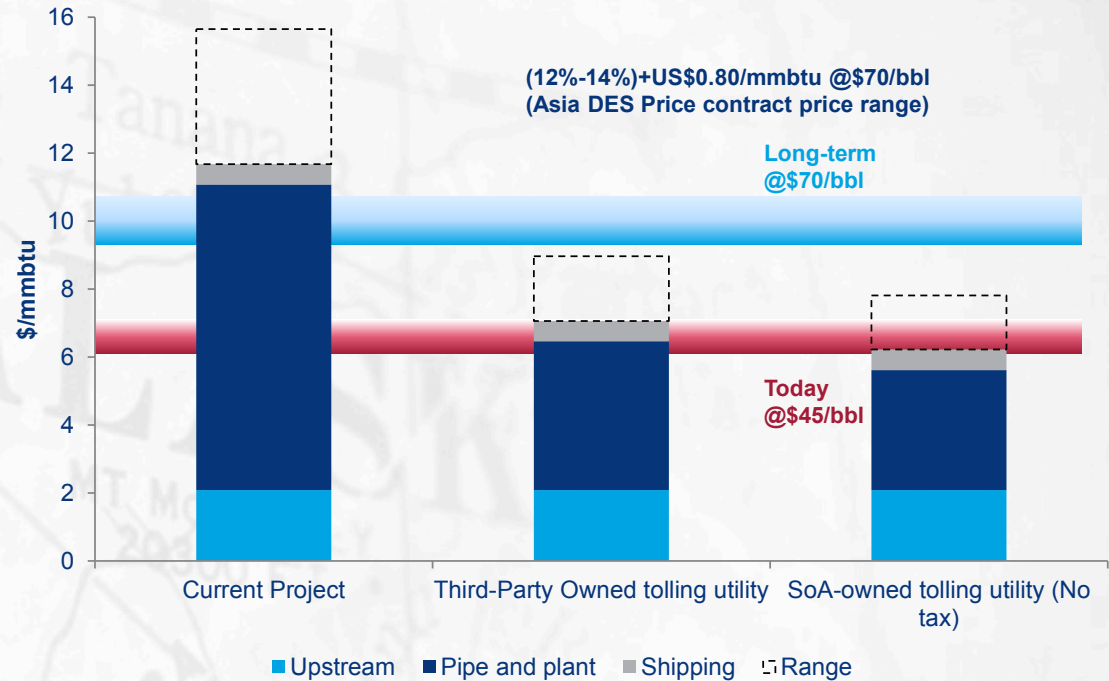


# Monetizing Gas

- **Industry analysts forecast a new demand window opening in the mid 2020's**
- **An uneconomic project would never be financed**, and therefore there is little risk in continuing to evaluate the market potential of using Alaska's advantages to see if a viable project is possible
- **Risk:** The real risk we should be concerned about is the risk to Alaska's future if the billions of dollars of gas resources on the North Slope are not monetized efficiently.
- Advantages of a state-led project include: more traditional methods of project financing; third party investors who do not have competing projects and can accept lower rates of return than required by the producers; potential state and federal tax advantages; and the ability to negotiate, sovereign to sovereign, in the world market.
- Low cost financing available through a state-led effort will make a significant difference in the economics of this project. This financing will have nothing to do with Alaska's Permanent Fund, but will come from third party lenders/investors and paid for solely from the revenues of the project.

# The introduction of State ownership

- In addition to a third party toller, the State of Alaska (SoA) could further reduce the cost of supply with a potential tax exemption
- SOA-ownership shown as fully tax exempt



## ✓ **Jobs**

- 9,000-12,000 jobs during peak construction.
- 1,000 ongoing jobs related to project.
- Additional industry support related jobs

## ✓ **Gas for Alaskans**

- Multiple off-takes
- Price stability
- Supply certainty

## ✓ **Reduced barriers to North Slope exploration and development**

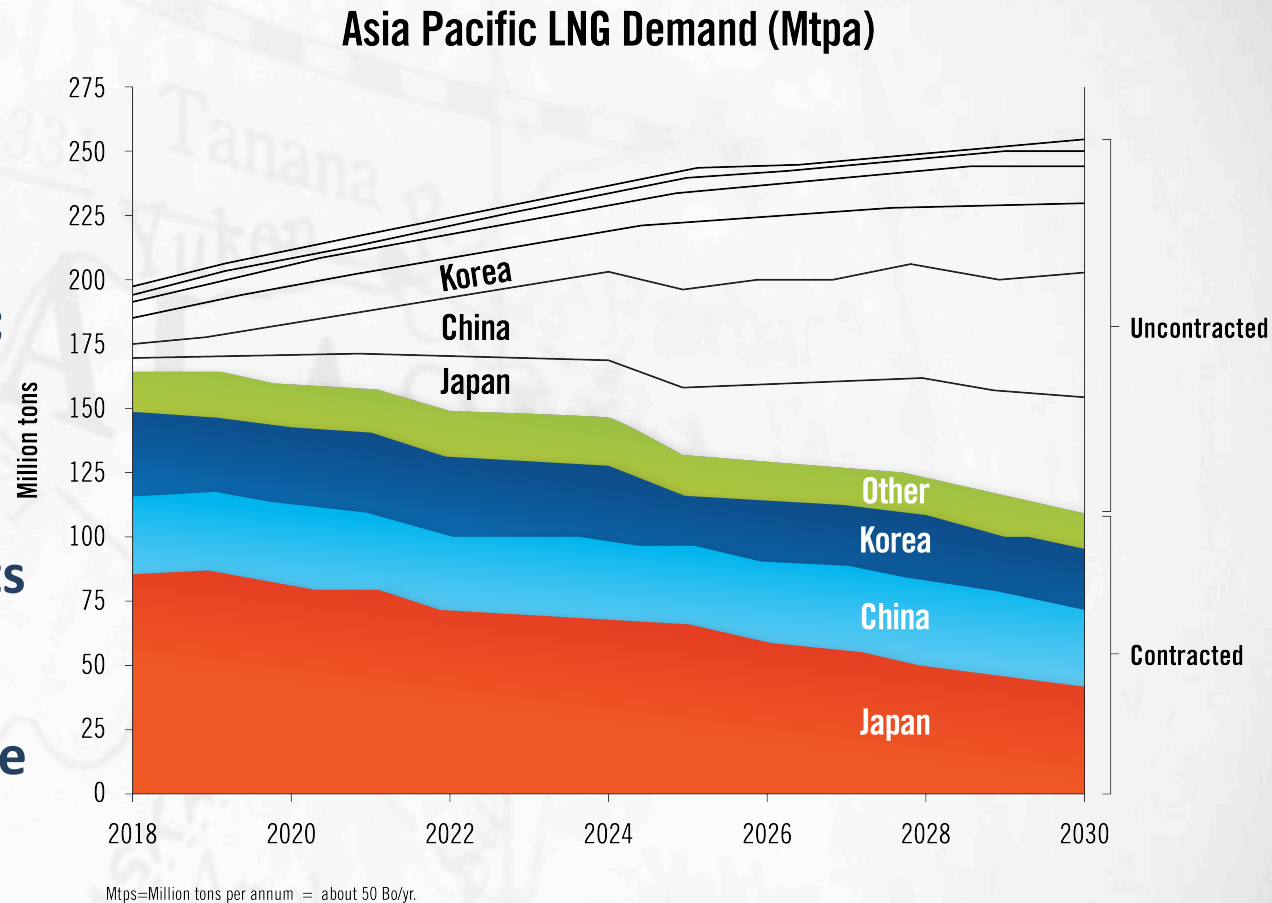
## ✓ **Economic Diversity**

- Potential for billions in revenue for the State of Alaska



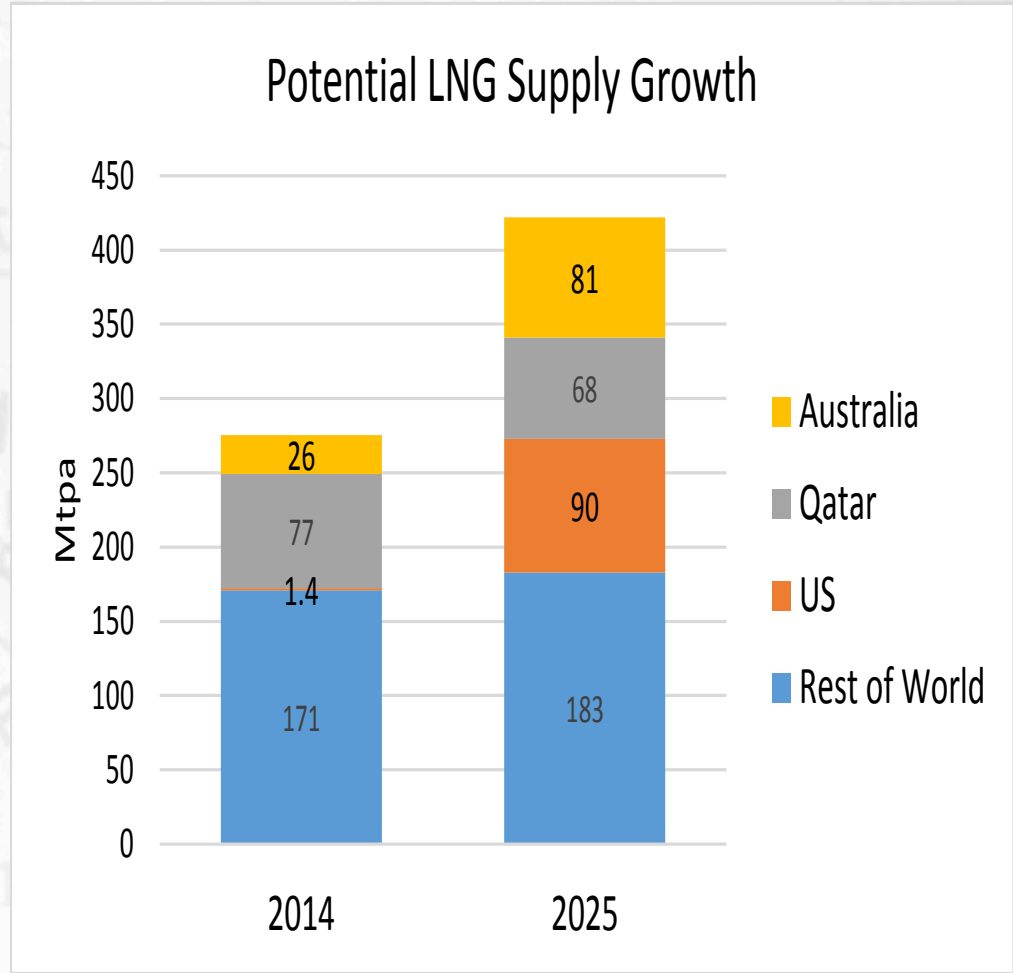
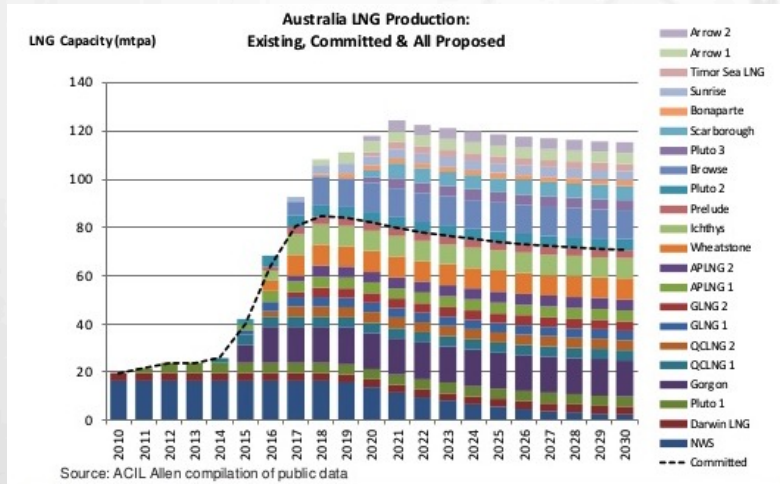
# Global LNG Balance

- Current global surplus.
- Equilibrium by 2022; new supply needed 2021-2025.
- Many supply projects chasing demand.
- Sellers must compete on more than just price.



# The Competition

- Global competition comes from known sources.
- Alaska can compete, but has to get in the ring and fight.
- Alaska is in the best position to fight for Alaska's project.





Alaska position provides for optimized logistics.



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# Established infrastructure and massive proven gas reserve on Alaska's North Slope:

## ✓ Trans-Alaska Pipeline:

- In operation since 1977.
- 17+ billion barrels of oil produced.

## ✓ LNG Shipping:

- More than 45 years of reliable and safe LNG exports, with 1,300 successful shipments.
- Alaska was first LNG plant to service Asia-Pacific LNG market; Alaska has never missed a LNG cargo shipment to Asia.



# Summary

- Education and alignment is longterm key - know our resource potential
- Federal permitting alignment - a must
- Master Plan Development - needs to be done
- Build wealth through new exploration and unlocking stranded resources
- NS Gas is our largest known stranded asset - we need to be in the game to fill the future void
- Sharing of infrastructure is smart

# Backup



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