



ALASKA MOVING FORWARD: *EXPLORING A NEW PATH FORWARD FOR ALASKA LNG*

**RESOURCE DEVELOPMENT COUNCIL
NOVEMBER 16, 2016**



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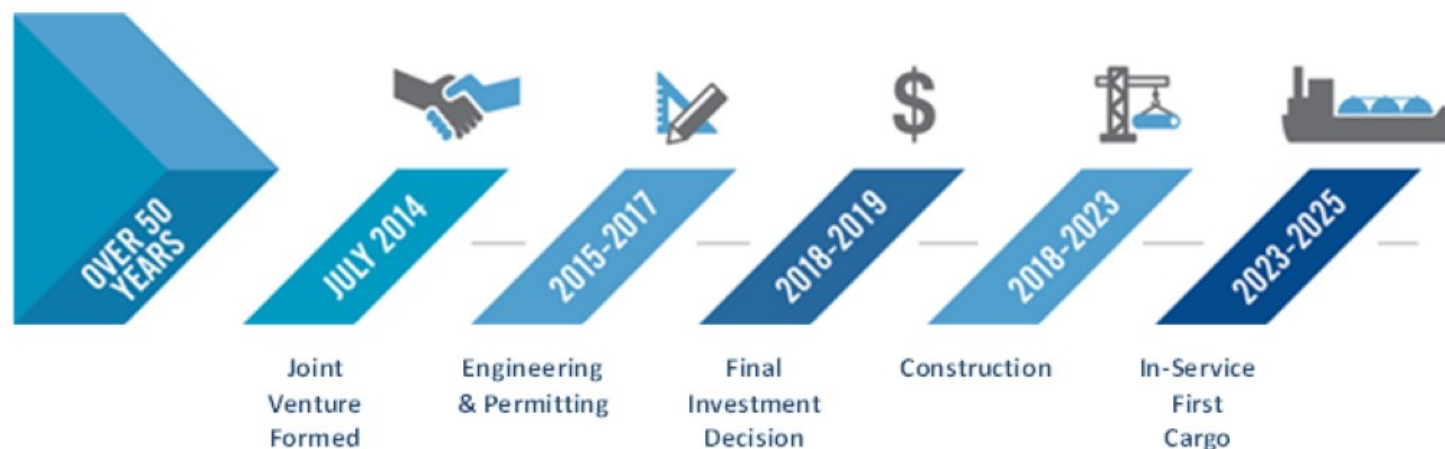
- **Alaska Gasline Development Corporation (AGDC)**

- ✓ Public corporation owned by the State of Alaska
- ✓ Empowered to expedite, finance, and build natural gas infrastructure.



- **Vision:**

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



ALASKA LNG PROJECT

- **Integrated gas infrastructure project:**

- ✓ **Gas Treatment Plant:**

- 200 acre site at Prudhoe Bay.
- Deliver up to 3.5 Bcf/d.

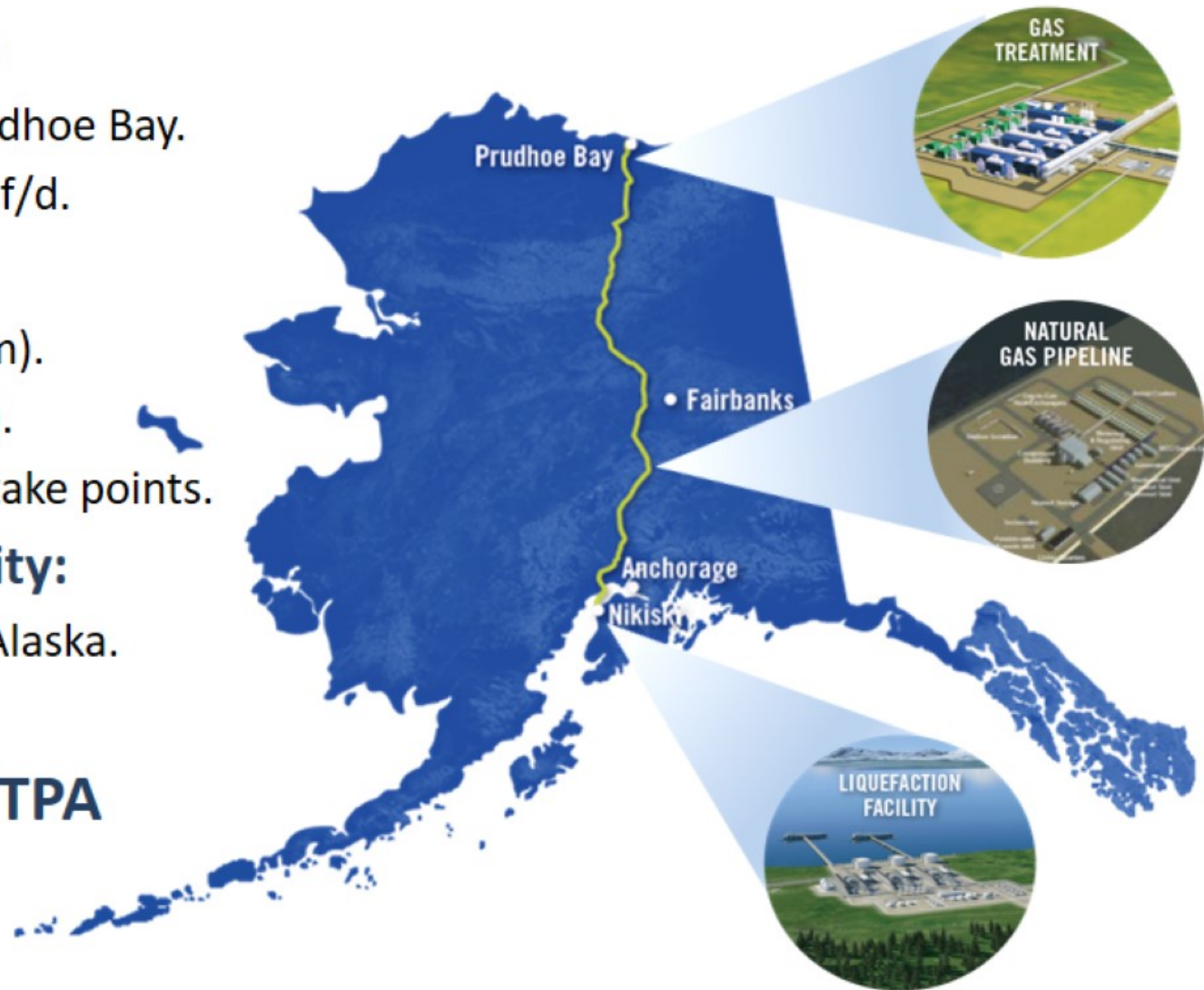
- ✓ **Pipeline:**

- 800-miles (1,287 km).
- 42-inch pipe (1.1m).
- Several in-state offtake points.

- ✓ **LNG Production Facility:**

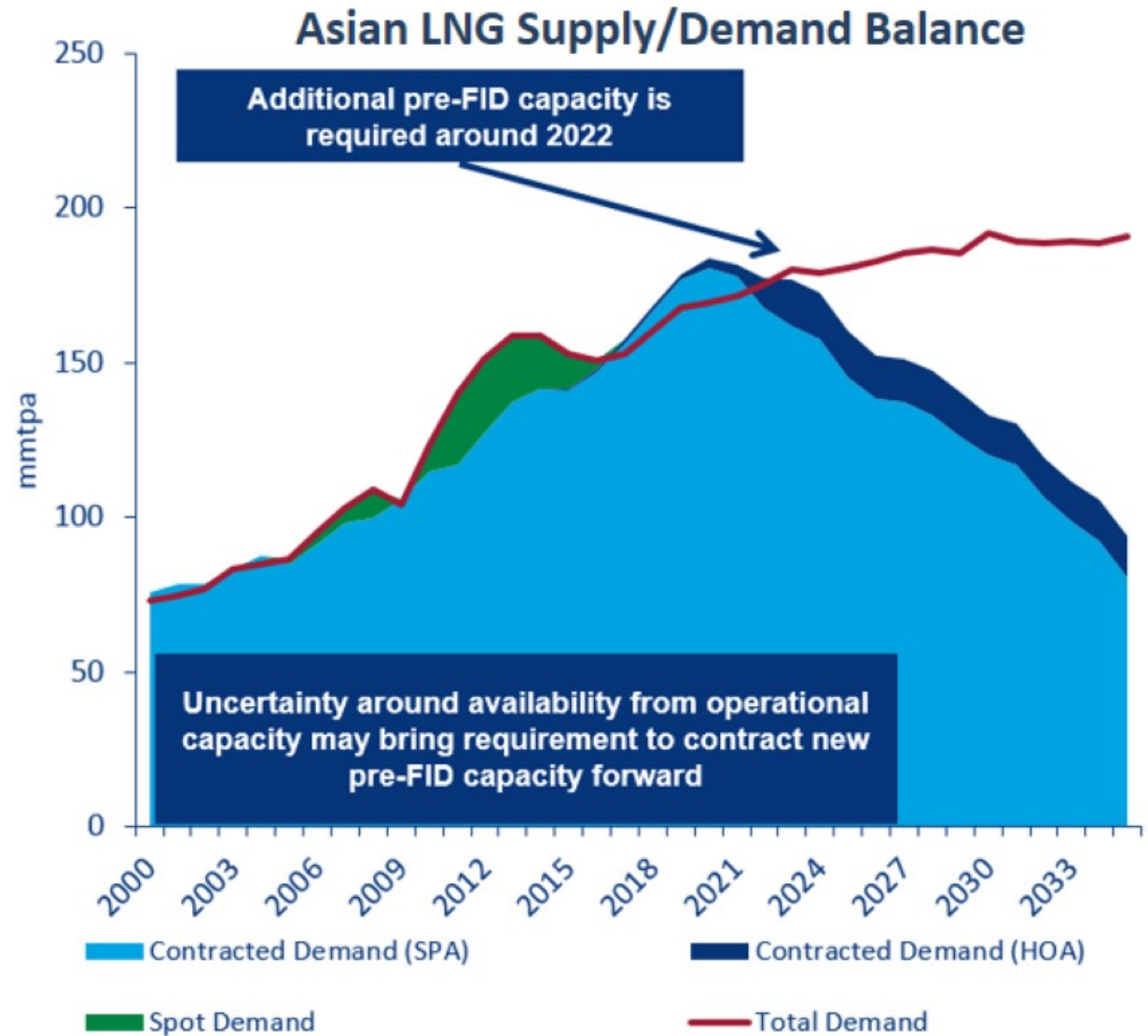
- Located in Nikiski, Alaska.
- 600 acre site.

- **Produce up to 20 MMTPA**



Bcf = Billion cubic feet MMTPA = Million Metric Tons Per Annum

- Current global surplus.
- Equilibrium in early 2020's; new supply needed 2021-2025.
- Many supply projects chasing demand.
- Sellers must compete on more than just price.



Source: Wood Mackenzie

JOINT KEY MESSAGES

As part of the effort to improve the project's competitiveness, the Parties (AGDC, BP, Conoco, Exxon) are **working collaboratively to transition the project to State leadership.**



The parties are also **pursuing alternative commercial structures** that have been successfully used in global LNG projects to reduce the cost of supply of the project.

The goal is to have a seamless continuation of the project, maintain project momentum, and reduce the cost of supply.

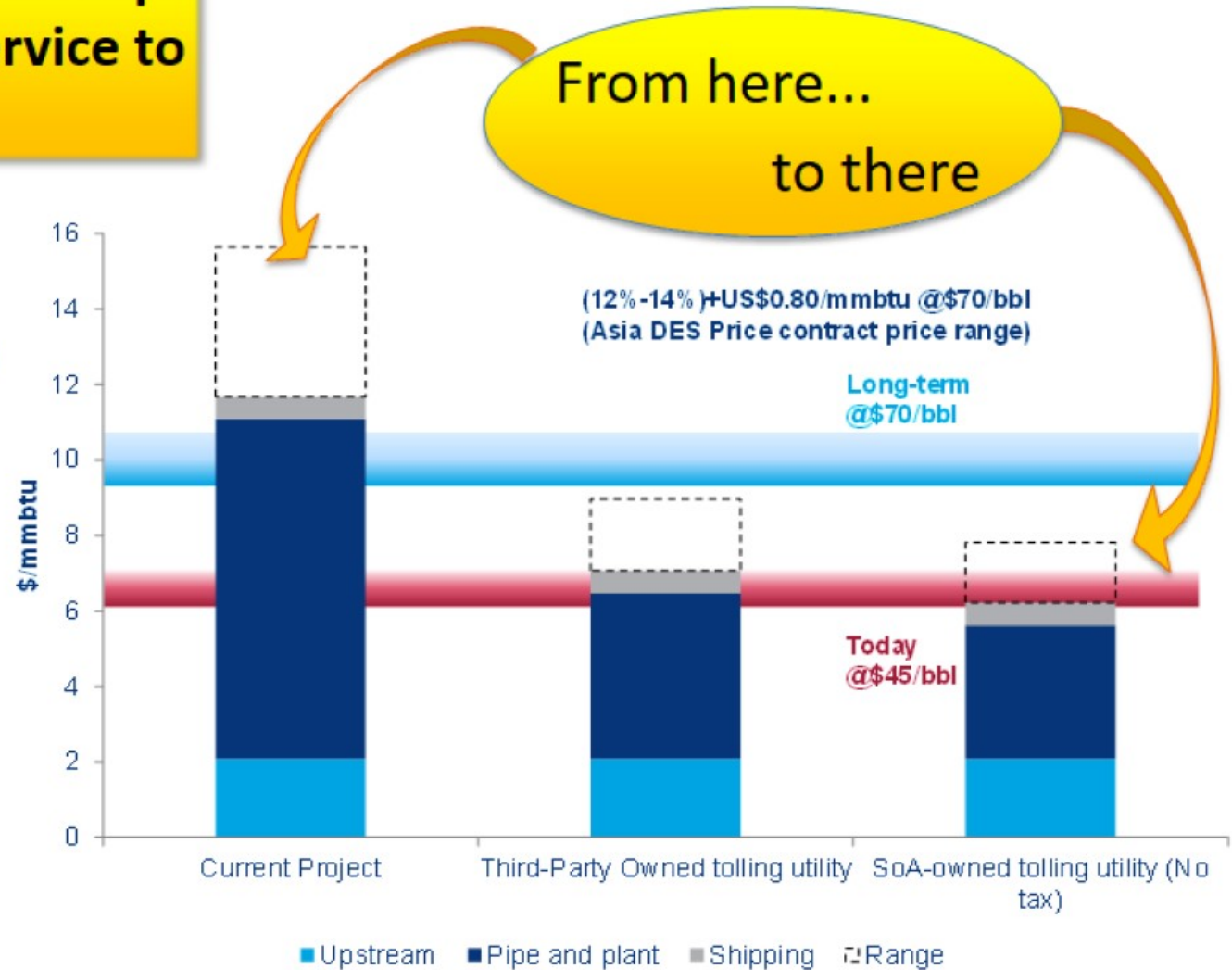
- **AGDC is willing to lead, but that does not mean “go it alone”.**
- **AGDC has never said, nor will it advocate, the State building this project on its own.**
- **Lowering the cost of infrastructure through third-party financing and reduced federal taxes through State ownership will raise the netback received by the State and producer parties.**

**End Result: State control,
Low cost infrastructure finance,
Stable and competitive energy for customers.**

REDUCING THE COST OF SUPPLY

Third party financing and tax exempt status will reduce the cost of service to a globally competitive level.

- 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



ALASKA'S STRATEGIC ADVANTAGE

- Location advantage; seven days to market.
- Temperature advantage: Cold temp provides efficient LNG production.
- Political stability.
- Proven conventional resource.

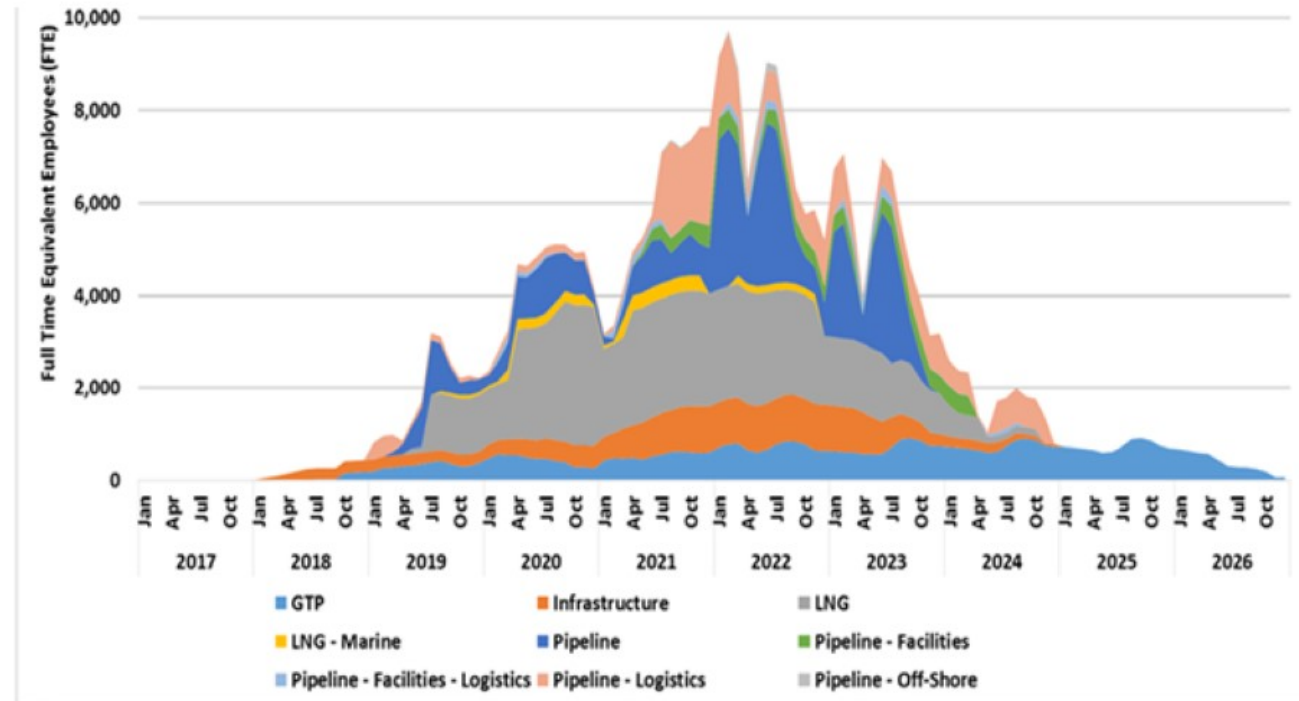


A position in Alaska provides for optimized logistics.

Nikiski, Alaska is located on the North Pacific Ocean, and presents one of the most expedient routes to Japan.

BENEFITS - JOBS

- Construction jobs.
- Support industries.
- Operating positions.
- Maintenance.
- Gas distribution.
- Increased exploration and production.



Doyon Drilling

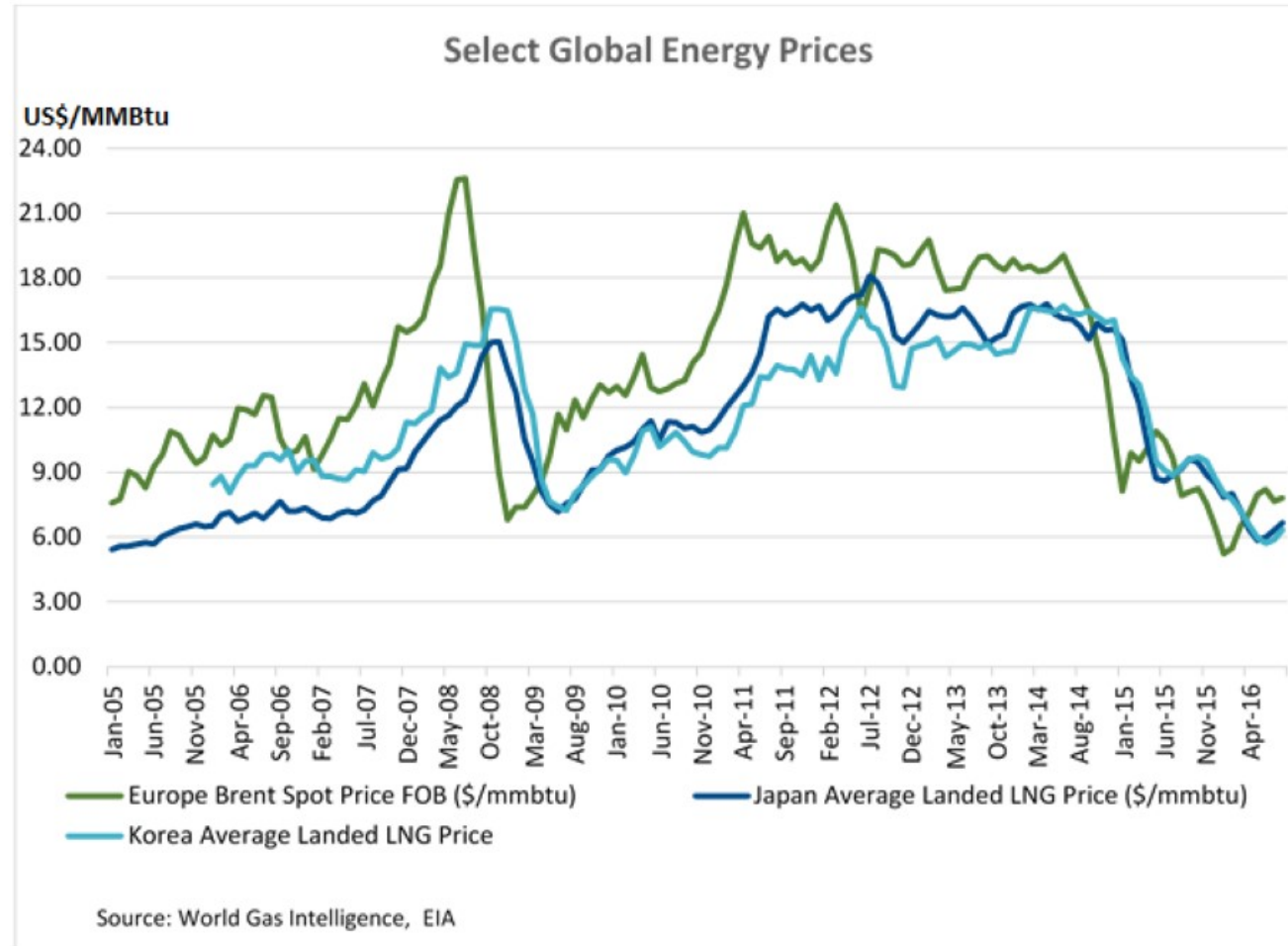


BENEFITS – ENERGY COSTS

Natural gas is in a **useable form directly off the pipeline.**

Alaskan resource projects will have **stable and predictable supplies of natural gas.**

Resource and industrial projects can begin **contracting now for future gas supply.**



The integrated gasline and LNG project will provide multiple opportunities for stable infrastructure investment.

State led project opens the doors for diverse third party investors:

- Sovereign wealth funds,
- Infrastructure funds,
- Regional corporations,
- Other interested parties.



The Alaska LNG project is Alaska's project, it will be structured to be an attractive investment, and will welcome Alaskan investors.

CONCLUSION

- ✓ **A project with major benefits for the State of Alaska**
 - ✓ Economic diversity.
 - ✓ Long term energy supply stability for homes and new industries.
 - ✓ Direct and indirect quality jobs.
 - ✓ Increased oil and gas production.
- ✓ **Competitive global landscape, but Alaska can compete.**
- ✓ **Will not be built at risk, the project must attract customers and investors.**
- ✓ **Alaska is now in the lead; focused on what is best for Alaska;**
- ✓ **Customers and investors now welcome!**



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