

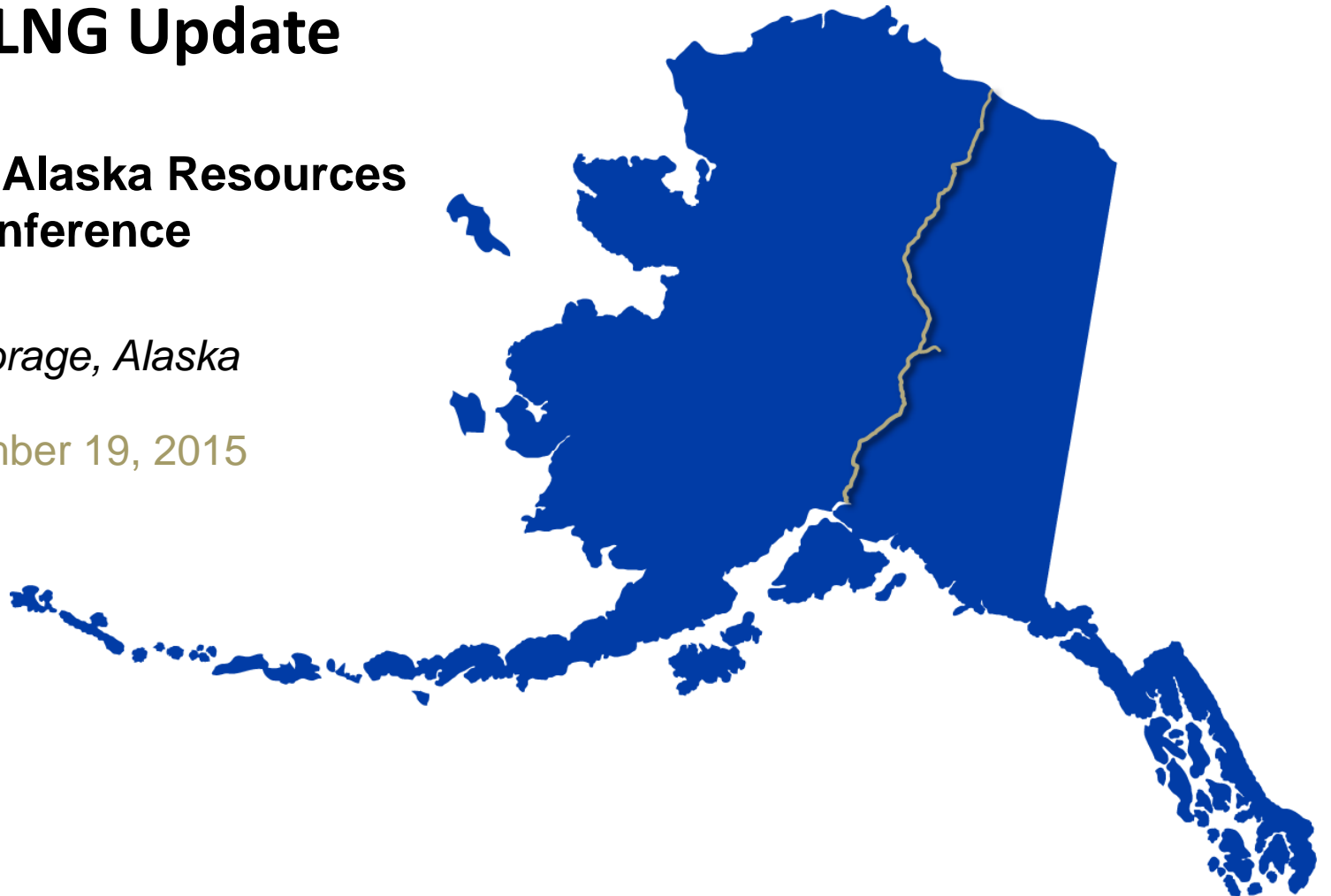


Alaska LNG Update

**RDC Annual Alaska Resources
Conference**

Anchorage, Alaska

November 19, 2015



State of Alaska's – Broad Objectives

- Secure a stable, affordable, long-term energy supply for Alaskans
- Commercialize Alaska's enormous North Slope gas resource
- Maximize the value of state's royalty and tax gas
- Generate revenue, jobs and economic growth
- Facilitate further oil and gas development



AGDC's Role in Alaska LNG

- Independent public corporation of the State of Alaska
- Signatory to the Joint Venture Agreement governing the Alaska LNG project
- Hold the state's equity interest in the project
- Member of the Sponsor Group, Management Committee and the Project Steering Committee
- Participate in all commercial negotiations and agreements
- Plan and develop off-takes for in-state gas deliveries
- Assist DNR and DOR in maximizing the value of the state's gas – *revenue, jobs, economic benefit*

Special Session Results

Legislature just concluded special session appropriating \$157.6 mill:

- **\$68.4 mill** – *Acquire TransCanada’s mid-stream interests in the Alaska LNG project*
- **\$75.6 mill** – *Fund state’s full 25% share of remaining Alaska LNG pre-FEED*
- **\$13.0 mill** - *Fund state agency participation through the end of FY16 (June 2016)*

AGDC will now assumes state’s full 25% equity in the project and will oversee as the “owner”

Governance Issues Resolved

- **Equity Alignment:** State's share of gas in the project (25%) was not equal to its equity in the integrated project:
 - State, through AGDC, hold 25% in the downstream (LNG plant)
 - TC held 25% in the midstream (pipeline & GTP)
 - State's resulting equity in the integrated project was ~ 12.5%

- **Voting Rights:** State didn't have full voting participation in all project decisions:
 - State, through AGDC, voted on downstream issues
 - TC voted on mid-stream issues
 - AGDC will now have full voting rights on project components and in all integrated project decisions

Pending Board Action

- State is working to execute and finalize TransCanada buyout by November 24th
- AGDC Board special meeting this Saturday, Nov 21st for the consideration of two resolutions:
 1. Authorizing payment to TransCanada and acceptance of their interest in the Alaska LNG Project
 2. Authorizing AGDC to vote affirmatively on the Alaska LNG 2016 Work Program & Budget (WP&B)

Prepared to Assume TC's Role

- Already holds state's interest in LNG facility – a complex and expensive component in the integrated project
- Completed FEED on the Alaska Stand Alone Pipeline (ASAP) project
- Credentialed professionals with industry and mega-project backgrounds
- Technical staff available to fill key positions:
 - Subject Matter Experts (SME) based in Alaska
 - Key roles in prior Alaska pipeline projects, including TAPS
 - Dedicated professionals committed to SOA interests



Meeting In-State Gas Demand

AGDC's is responsible for developing pipelines and other mechanisms for delivering natural gas in-state

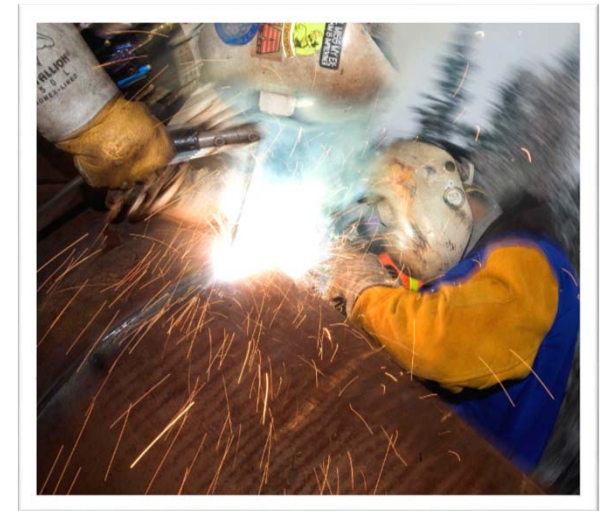
- Completed a forecast of in-state natural gas demand
- Completed preliminary cost estimates for gas off-take facilities
- Developed a framework to assist policy makers in evaluating in-state off-take infrastructure
- AGDC Board has authorized the formation of a subsidiary capable of aggregating in-state gas demand. Potential activity:
 - *Pool small quantities of in-state demand*
 - *Serve as an intermediary between resource owners (including DNR) and small in-state buyers*
 - *Assist small communities in developing local distribution entities*

Contracting Opportunities

- Pre-FEED stage scope of work primarily high-level design and process engineering
- Opportunities during FEED stage and construction stage will be significant
- Alaska experience, expertise, and presence provides value
- Successful contractors:
 - Cost competitive
 - Strong health, safety, and environmental management systems
 - Strong quality management systems
- Prime contractors will be required to provide opportunities for Alaska businesses and labor

Alaska LNG Project Timeline

Key Milestones	Date
Pre-FEED Initiated	July 2014
Conclude Pre-FEED	2016-2017
FEED Decision	2017
Conclude FEED (2-3 years)	2019
Final Investment Decision (FID)	2019-2020
Construction (5-6 years)	2020-2025
Project Complete/First Gas	2025-26



Pre-FEED: Preliminary Front-End Engineering and Design

FEED: Front-End Engineering and Design

Draft Confidentiality Regulations

- Attorney General's Office worked with AGDC on a draft set of new confidentiality regulations:
 - Initial Public Comment closed Oct 21st
 - Strong comments received from producer parties
 - Board has appointed a committee to review questions and draft responses
 - Supplemental public comment period likely
 - Committee will report back to full Board

- Board may adopt the regulations as drafted, modify them or decide to take no action

Challenges

- By every standard, this is a world class construction project: \$45 to \$55 billion, three mega-projects
- Regulatory and construction risks are higher in Alaska
- Difficult to estimate long-term LNG demand, pricing, and world-wide competition
- Competing against other LNG projects – looking to sell to same buyers
- Final Investment Decision (FID) will be economically driven
- Low oil price environment makes large capital investments more difficult for producer partners

Questions

Dan Fauske
President

Alaska Gasline Development Corporation (AGDC)
3201 C Street, Suite 200
Anchorage, Alaska 99503
(907) 330-6300
www.agdc.us