President's Report

Frank Richards, President
June 25, 2020

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Safety Moment – Sun Exposure

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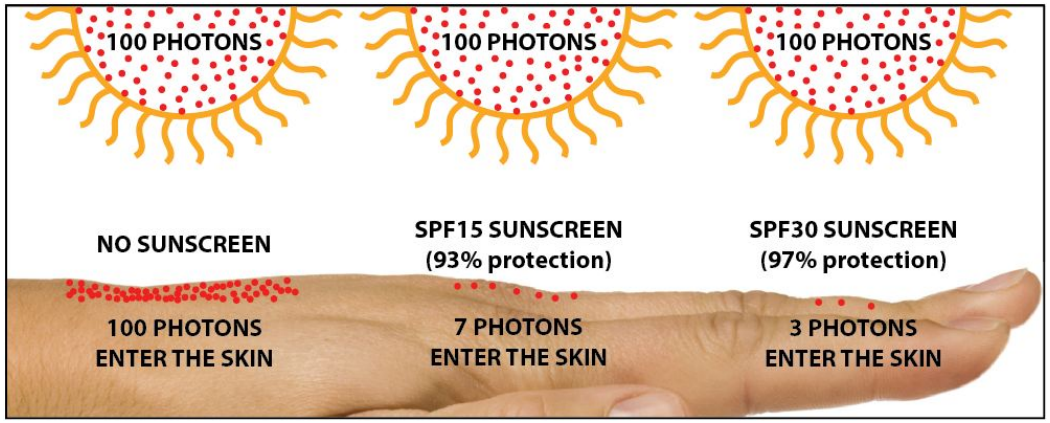
Long summer days = Lots of exposure

The following recommendations will help you protect yourself and your family:

- You can reduce your risk of skin damage and skin cancer by seeking shade under an umbrella, tree, or other shelter before you need relief from the sun.
- The best protection will come from a combination of sunscreen and clothing; hats, long pants and long sleeve shirts will all provide some protection but may need to combined with sunscreen for maximum protection.

  (A cotton t-shirt has an Sun Protection Factor (SPF) rating of less than SPF 15)
- Sunscreen and SPF ratings:
  - SPF measures sunscreen protection from UVB rays, the kind that cause sunburn and contribute to skin cancer
  - SPF does not measure how well a sunscreen will protect from UVA rays, which are also damaging and dangerous
  - **Dermatologists recommend using a SPF15 or SPF30 sunscreen** (as higher SPFs don't provide much more protection)



COVID-19 Work Realities

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- June 2, 2020 – Implemented Office Re-Occupancy and COVID-19 Mitigation Plan
  - Staff safety is guiding principle
  - Allows staff to continue to work from home
  - Sets procedures for pre-shift screening for access to office
  - Follows existing guidelines for social distancing and on-site precautions
    - Masks worn at all times when not at work station
    - Wipe in, wipe out protocol
    - 6’ social distancing
    - Maximum occupancy in conference room
    - Procedure for office visitors
    - Encourage meetings via TEAMS
    - All-staff telework Fridays
    - Protocols for illness onset while on-site

FERC Order – May 21, 2020

- Alaska LNG Project FERC Order – Interveners
  - FERC authorized parties that were able to show substantial interest and/or met the intervention motion filing deadlines
  - Are listed in the FERC Order
  - Only parties that can file motion for rehearing request
- Interveners must file request for rehearing within 30 days of FERC Order
  - Requests must be based on alleged errors made by FERC in EIS/Order and include a statement of issues
- June 22 - interveners file requests for rehearing FERC Order
  - Matanuska-Susitna Borough
  - Center for Biologic Diversity and Earthjustice
    - On behalf of Chickaloon Village Traditional Council, Northern Alaska Environmental Center and Sierra Club
- FERC must respond within 30 days of receiving request
  - Unless FERC acts upon a request for rehearing within 30 days after the request is filed, the request is denied
  - Unless otherwise ordered by FERC, the filing of a request for rehearing does not stay the Order

Primary Focus Areas

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- Alaska LNG Project Class 4 cost estimate update completed
- Economic modelling with new cost of supply completed
- Decision support package and capital work program and budget in line with Strategic Plan completed
- Reducing operating and capital expenditures in line with work effort and budget
- Interface with Federal Project Improvement Steering Committee (FPISC) on timely issuance of federal permits

Strategic Plan Metrics

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AGDC Strategic Plan 2020/2021

Tactical Action Plan Scorecard

No	Action	Due Date	Assigned Responsibility	Status
1A	Conduct Board of Director's Executive Committee strategic planning workshop to obtain review comments and finalize AGDC FY21 Strategic Plan.	4-Mar-20	F. Richards	Complete
1B	Obtain issuance of the Notice of Availability of the Alaska LNG Project Final EIS.	6-Mar-20	F. Richards	Complete
1C	Resolution to Approve AGDC Strategic Plan (Executive Committee Summary)	9-Apr-20	Board of Directors	Complete
1D	Conduct leadership review with Governor's office and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1E	Conduct leadership review with Legislature leadership and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1F	Interface with the Legislature to maintain fund levels and maintain AGDC Receipt Authority for FY2021.	15-May-20	F. Richards	Complete
1G	Complete Alaska LNG Project cost reduction studies and update Class 4 Project Cost Estimate to $Q42019.	15-May-20	B. Chastain	Complete
1H	Provide FY2021 AGDC Work Program & Budget proposal to Strategic Parties for planning of funding.	1-Jun-20	F. Richards	Complete
1I	Obtain issuance of the Alaska LNG Project FERC Final Order.	4-Jun-20	F. Richards	Complete
1J	Conduct economic assessment review with Strategic Parties using the updated Joint Economic Model.	15-Jun-20	M. Kissinger	Complete
1K	Establish 8-Star, LLC asset structure and transfer Alaska LNG Project assets.	30-Jun-20	M. Kissinger	
1L	**Key Decision Point – Stage Gate (Economics)**	**30-Jun-20**	**Board of Directors**	
	Alaska LNG Project Economically Viable: Proceed to Task 2A			
	Alaska LNG Project Not Economically Viable: Proceed to Task 3A			

Venture Alignment

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- Joint economic model workshops to align on model inputs
- Updated cost of supply completed
- Develop decision support documentation for economic stage gate decision
- Developed work program and budget (WP&B) with Strategic Parties to support sharing costs during FY 21
- Evaluating all options to improve project competitiveness, including the role of the State of Alaska and the Federal Government

Financial Report

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Fiscal Year to Date Statement of Activitives

(in thousands of dollars)

as of May 31, 2020 Unaudited

	YTD Costs
LNG Project Expenditures	7,948
AGDC General & Admin Function	5,542
Total	13,490

AKLNG Expenditures

	YTD Costs
Core Staff	1,961
Asset Mgmt	71
FERC Labor	60
FERC Engr	4,279
FERC EIS	1,386
FERC Legal	15
FERC RSA	129
FERC BLM	47
	7,948

General and Administrative by Department / Function

G&A by Department

	YTD Costs
Executive	1,695
Commercial	697
External Affairs	176
Legal	233
Finance	588
Administrative Services	1,263
Data Management	890
Total	5,542

G&A by Function

	YTD Costs
Personnel	3,066
Travel	19
Services	975
RSA Services	120
Services - Mgmt Consulting	1,208
Commodities	109
Depreciation	45
Total	5,542

Alaska LNG Project
Technical and Regulatory Update

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Technical and Regulatory Focus Areas

- Flurry of federal and state agency interactions
  - FAST – 41 designation benefits
    - NMFS Biological Opinion issued
    - USFWS Biological Opinion issued
    - Section 106 Programmatic Agreement (PA) signed
    - BLM ROW stipulations still under review
    - EPA 401 Water Quality certification still under review
- Met Tower Decommissioning:
  - Nikiski site 100% complete
  - Deadhorse site tower removed, anchors to be removed in winter
- Continued outreach on draft Cultural Resource Management Plan
- Reviewed final deliverables from Fluor's cost reduction work
- Developed technical portion of FY21 WP&B

Class 4 Cost Estimate Update

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- Initiated based on positive results of April 2019 Cost Reduction Workshop with BP and Exxon Mobil in Houston, TX
- Contracted with Fluor Corporation to meet aggressive schedule and benefit from past project familiarity and insight into comparable LNG export projects
- Scope:
  1. Identification and quantification of cost reduction opportunities generally greater than $100M
  2. Update of the 4Q2015 Pre-FEED JVA cost estimate to 4Q2019
- 39 total deliverables including updates to JVA document and new documents; review & comment process with BP and ExxonMobil
- Work completed ahead of schedule and under budget; approved CAPEX and OPEX inputs provided to Joint Economic Model
- Fully completes Milestone 1G in AGDC's Strategic Plan

Summary - Class 4 Cost Estimate Update

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- April 2019 Cost Reduction Workshop results were validated
- Reductions exceeded expectations - $8.506 billion against the escalated JVA CAPEX Cost Estimate and $97.8 annual OPEX Cost Estimate
- Cost reductions largely influenced by:
  - Material and equipment sourcing market changes
  - Best in class contracting and execution strategies
  - Re-thinking third-party power services
  - Liquefaction technology
  - Reduction in risk (contingency)
- Base Case CAPEX - $38.681 billion (4Q2019)
- OPEX – $739.4 million annual (4Q2019)
- Updated estimate fully aligned with updated Pre-FEED documentation and supports Economic Stage Gate Decision Support Package

Alaska LNG Project
Commercial Update

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Background

- Alaska LNG has progressed through a number of proposed commercial efforts

- In 2016 Wood Mackenzie performed a study on the competitiveness of Alaska LNG
  - Ranked Alaska LNG “poorly” in terms of competitiveness
  - Recommended adoption of a “debt funded third party tolling structure”
- This advice has now been adopted and the Alaska LNG project is now more competitively positioned
- Alaska LNG now sits within the range of competing projects
- There is a clear pathway to optimize project economics and achieve a highly competitive Cost of Supply

Preparation for Economic Stage Gate

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Economic Stage Gate - The Economic Stage Gate is a milestone for the Board to decide whether the updated cost estimate and economics for the Alaska LNG Project justify proceeding with developing a venture structure with Strategic Parties.

- Worked closely with BP and ExxonMobil
- Developed a proposed project structure
  - Tolling for the GTP and Pipeline
  - Project Debt
- Developed a joint economic model
- Model reviewed by independent third parties

Basis for Evaluation

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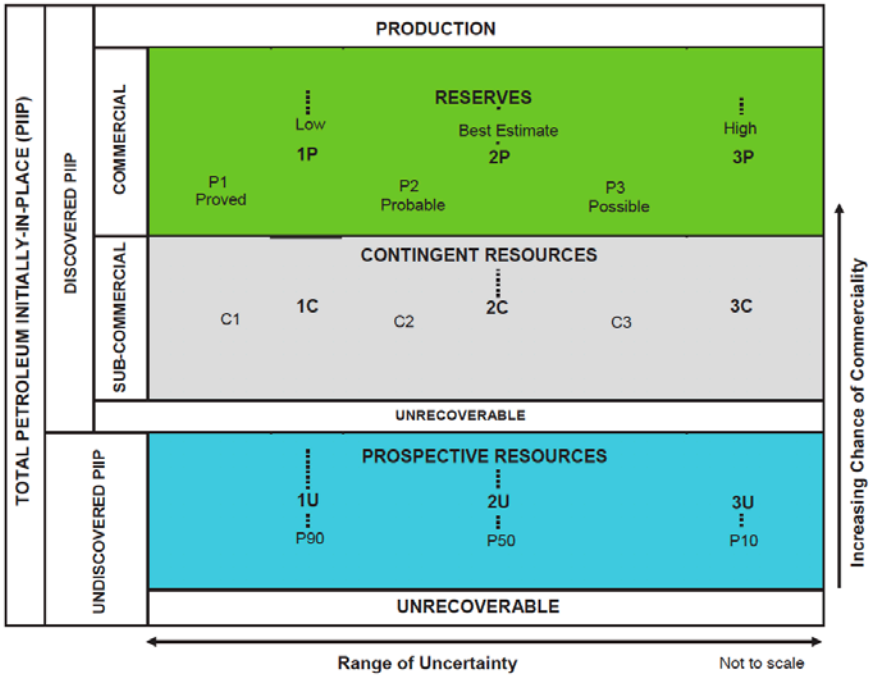
- Evaluation was done on both the **viability** of the project and the **competitiveness** of the project
- Viability of the project takes into consideration
  - Resource base
  - Scope of Project
  - Authorizations
  - Market demand
- Competitiveness looks at how competitively the Project can deliver gas into the Asian Market versus other competing projects
  - This evaluation is done on the “Cost of Supply”
  - Alaska LNG is compared against competing projects
  - Optimization options are identified to improve competitiveness

Viability: Resource Base

The Alaska North Slope resources that underpin this project fall into two resource classifications:

- Contingent Resources
  - Includes Prudhoe Bay and Point Thomson Units
  - Approximately 32 Tcf
  - These are the only resources used in the model
- Prospective Resources:
  - AKA Yet to Find or YTF
  - Require exploration success
  - USGS estimates over 200 Tcf
  - Upside for project investors



Relying only on the contingent resources allows the project to be structured as a Tolling structure with Project Finance

- Tolling and Project Finance both require firm contractual commitments
- Firm contractual commitments require discovered resources

Viability: Scope of Project

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The project scope remains unchanged from the original JVA

The Alaska LNG Project

Gas Treatment Plant

- Located at North Slope
- Remove C02 / H2S; Compress for re-injection
- Footprint: 150 - 250 acres
- Peak Workforce: 500-2,000 people
- Required Steel: 250k-300k tons

Pipeline

- Large diameter: 42" operating at >2,000 psi
- Capacity: 3.3 billion cubic feet per day
- Length: ~806 miles (similar to TAPS)
- Peak Workforce: 3,500-5,000 people
- Required Steel: 600k-1,200k tons
- State off-take: ~5 with initial off-take of 250-500 MCF/d

Liquefaction Plant

- Capacity: up to 20 MTA
- 3 trains (6.67 MTA/train)
- Footprint: 640-1,000 acres
- Peak Workforce: 3,500-5,000 people
- Required Steel: 100k-150k tons

Storage / Loading

- Terminal: 2 x 240,000 m3 LNG Storage Tanks
- 1 loading jetty with 2 berths; 15-20 tankers per month
- Peak Workforce: 1,000-1,500 people

Viability: Authorizations

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Three major authorizations have now been received for the project:

1. The Alaska Oil and Gas Conservation Commission ("AOGCC") order allows for offtake of gas from Prudhoe Bay
2. The Department of Energy (DoE) issued DOE/FE Orders allow for export of LNG to FTA and non-FTA countries
3. The Federal Energy Regulatory Commission ("FERC") issued an Order granting authorization to site, construct, and operate the Alaska LNG Project

Viability: Market Demand

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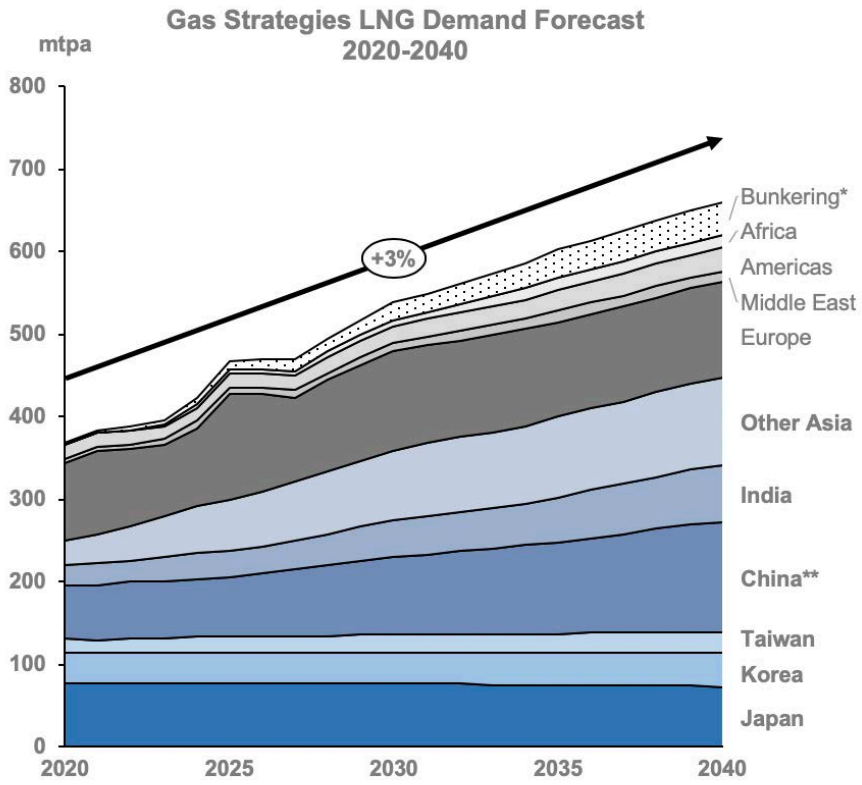
Gas Strategies view of the market:

- Globally, LNG demand is forecast to rise to 660 MTPA by 2040, a growth of 3% per annum
- Asia will account for around 2/3rds of LNG demand in 2040
- Alaska LNG is well placed geographically to serve Asian LNG demand



Source: Gas Strategies, 4Q19 demand outlook
**Bunkering is providing LNG to ships for their own fuel consumption*

Viability: Supply/Demand Balance

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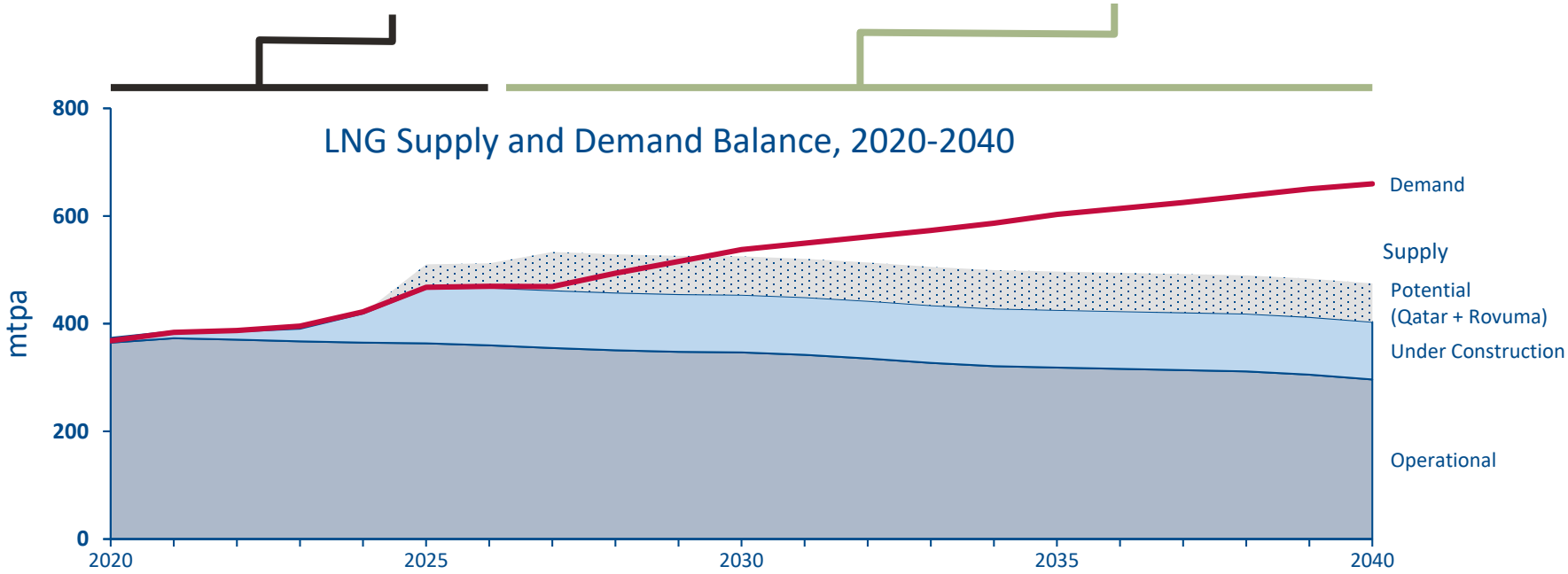
Short-Term

- LNG supply still growing
- The market is oversupplied as markets are not developing as fast as expected
- The oversupply could be exacerbated by further FIDs expected in the next year

Mid- to Long-Term

- Demand catches up with supply from the late 2020s
- Beyond late 2020s, we expect further new capacity will be needed to come onstream to meet demand.
- In the long term, supply from existing projects will decline and the supply gap widens further still



Source: Gas Strategies, 4Q19 supply outlook

Global gas supply is growing, but not keeping up with demand

Competitiveness: Cost of Supply

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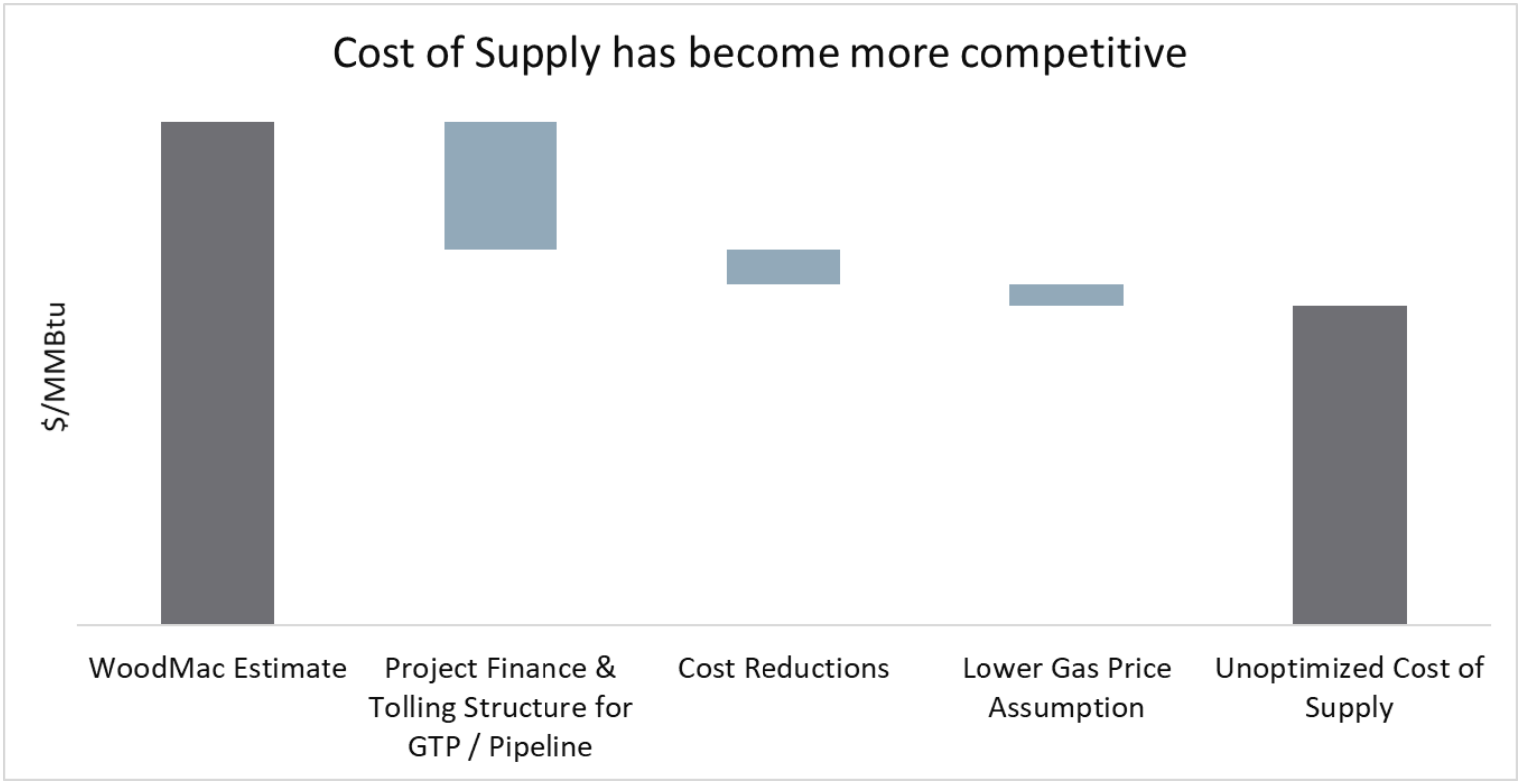
- Alaska LNG must ultimately be able to supply the Asia gas market, at a cost that is competitive with other projects currently under consideration for development
- This delivered cost to Asia is the Cost of Supply

COST OF SUPPLY = GAS PRICE + GTP TOLL + PIPELINE TOLL + LIQUEFACTION COST + SHIPPING TO ASIA

- Several opportunities to reduce the Cost of Supply have already been successfully advanced:
  - Tolling Structure
  - Project Finance
  - Cost reductions

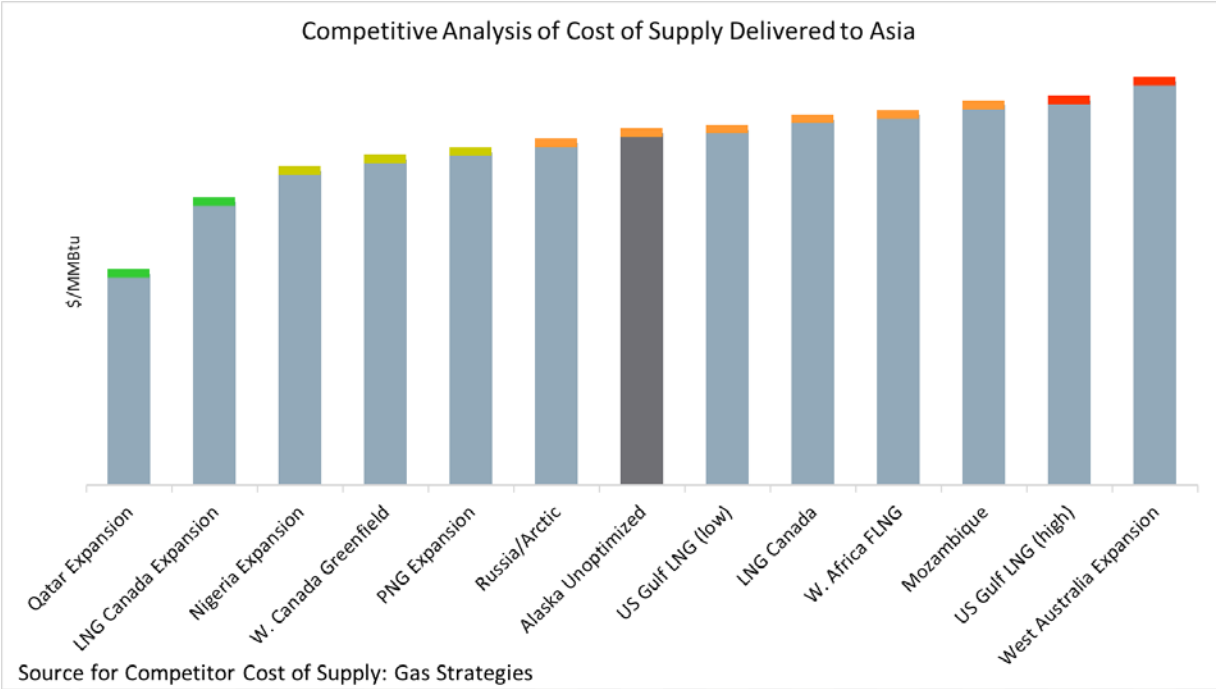
Competitiveness: Updated Cost of Supply

- Adopting the tolling structure and Project Finance, and incorporating the cost reductions leads to an updated Cost of Supply
  - This is the "Unoptimized Cost of Supply"
  - There are opportunities to be more competitive



Competitiveness: The Competition

- This Unoptimized Cost of Supply has been compared against other estimated Costs of Supply to Asia
- Alaska LNG is moderately competitive



To achieve the level of competitiveness needed to enter FEED, further reductions to the Cost of Supply are needed

Competitiveness: Optimization Options

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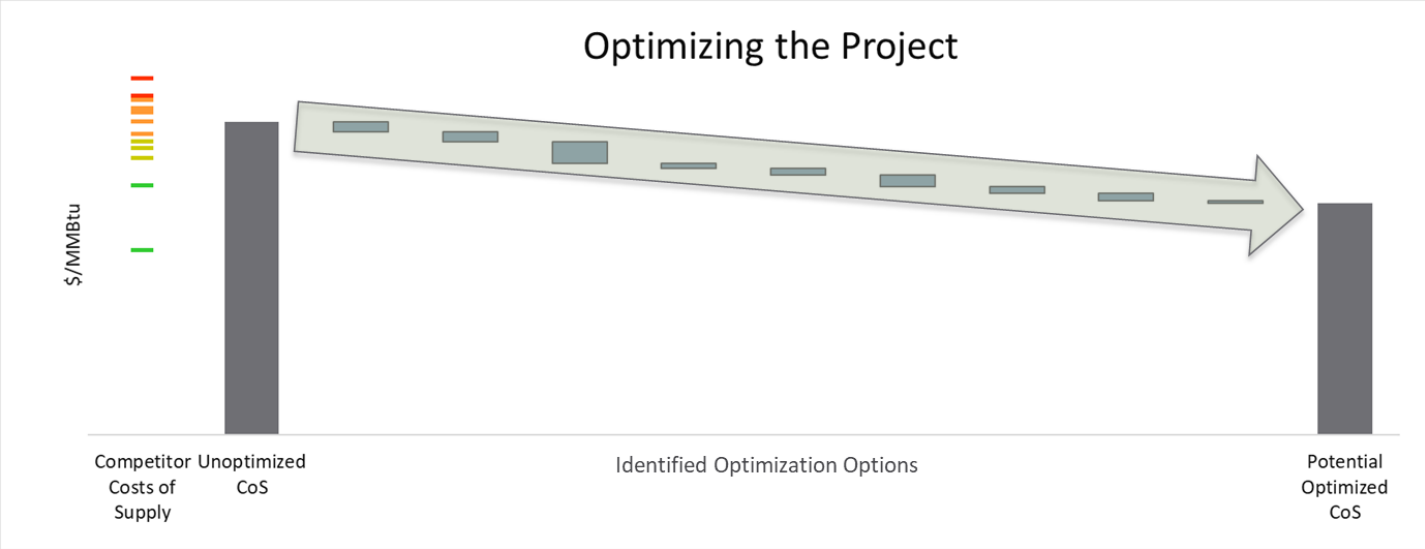
- Discrete opportunities to improve project competitiveness have been identified to further reduce the Cost of Supply
  - State and Federal support options such as loan guarantees, capacity commitments, and fiscal stability
  - Lower gas price
  - Property taxes in-line with competition
  -



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