

President's Report

Frank Richards, President
February 10, 2022



Safety Moment – Burn Awareness

HOT SURFACES DAMAGE SKIN!

*National Electronic Injury Surveillance System (NEISS)

February 6-12 is National Burn Awareness Week

Every year, thousands of Americans (approx. 192,000* in 2020) are treated for burns. A contact burn is a burn caused by touching a hot object and is one of the most common. About one-third* of contact burns treated are in patients under 5 years old!

Tips to reduce chances of contact burns:

- Supervise children around hot objects at all times.
- Stand at least 3 feet away from hot outdoor objects like patio heaters and grills/BBQs. Keep area clear of trip hazards. Limit alcohol consumption.
- Protect your feet from hot objects and spills by wearing closed toe shoes
- Turn heating pads and electric blankets off before sleep.
- Have hot pads available whenever cooking. Long oven mitts are best when needing to reach in or over hot surfaces, such in an oven or over a grill. Assume all pots and pans are hot.
- Remember to treat items coming from the microwave as you would items from the oven. Limit microwave use by children.
- Unplug power tools when not in use, and always treat as if they are still hot.

PRO TIP!

Remember that friction generates heat, so objects like drill bits, pulleys and grinders can be extremely hot after use!

Office COVID-19 Protocols Update

Effective Monday, December 6, 2021, all full-time staff began transition back to working on site.

Office protocols:

- Masking while not at duty station is highly recommended, but not mandatory.
- 6 ft. personal bubble to be observed at all times.
- Teleconference whenever possible for meetings, including internal meetings. If an in-person meeting is essential for business, conference room occupancy is limited to 6 people maximum.
- Guests and visitors must sign in and encouraged to remain masked at all times while on site.
- Stay home if feeling unwell. If experiencing cold or flu-like symptoms, stay home until symptoms are gone. Follow current CDC guidelines if COVID-19 exposure is suspected.
- IT continues to support a robust work from home environment to support staff who may be fit to work, but contagious otherwise.

Ongoing:

Continued monitoring of Municipality of Anchorage, State of Alaska DHSS, OSHA, and CDC for mandates, recommendations, and advisories.

Primary Focus Areas

- Meeting with potential LNG lead parties to identify opportunities with Alaska LNG Project
- Analyzing impact of Federal Loan Guarantees
- Providing intervenor briefs in FERC Order and DOE authorization legal challenges
- Advancing development agreements with Strategic Parties and Pipeline Lead Party
- Communicating positive outcomes of Greenhouse Gas (GHG) life cycle analysis
- Monitoring LNG market actions and trends
- Working with companies to advance Alaska's Hydrogen production capabilities
- Contracting with Wood Mackenzie for competitiveness review of Alaska LNG tolling model and cost of supply

Wood Mackenzie Update



FY22 Financial Report – December 2021

ALASKA GASLINE DEVELOPMENT CORPORATION

Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of December 31, 2021 Unaudited

	<u>YTD Costs</u>
LNG Project Expenditures	1,559
AGDC General & Admin	1,350
Total	<u>2,909</u>

General and Administrative by Function

	<u>YTD Costs</u>	G&A by Function
Personnel	731	
Travel	4	
Services	532	
Commodities	56	
Depreciation	27	
Total	<u>1,350</u>	

LNG Project Expenditures

	<u>YTD Costs</u>	AKLNG Expenditures
Venture Development	463	
Core PMT & Systems	808	
ERL	288	
	<u>1,559</u>	

Governor's FY23 Budget Proposed

- FY23 Operating Budget
 - \$3,082,100 authorization
 - Slight reduction from FY22
 - Authorizes use of funds from Alaska LNG Project Fund
 - Covers personnel, office rent, utilities, contracts, and travel
 - No new appropriations needed
 - Statutory designated program receipts
 - \$10 million

Strategic Plan Progress

AGDC STRATEGIC PLAN 2021/2022 TACTICAL ACTION PLAN SCORECARD

NO	ACTION	DUE DATE	ASSIGNED RESPONSABILITY
1	PHASE ONE PIPELINE OPPORTUNITY		
1A	Negotiate & Finalize the LOI with Pipeline Lead Party	3/15/2021	COMPLETE
1B	Approve LOI for Execution	4/15/2021	COMPLETE
1C	Federal Infrastructure Funding Communication Program	Ongoing	COMPLETE
1D	Key Alaska Stakeholder Communication Program	Ongoing	COMPLETE
1E	Execute Pre-Development Work Scope	Ongoing	COMPLETE
1F	Negotiate & Finalize the PDA with Pipeline Lead Party	6/30/2021	Overcome by Events
1G	Submit FY22 AFE (Phase One Pipeline) for Board approval	6/30/2021	COMPLETE
1H	Approve PDA for Execution	7/15/2021	Overcome by Events
1I	Receive Federal Infrastructure Funding	9/30/2021	Overcome by Events
1J	Provide Notice to Proceed to Pipeline Lead Party	10/15/2021	Overcome by Events
1K	Transition to the Pipeline Lead Party in 8 Star Alaska, LLC	12/31/2021	Overcome by Events
2	PROJECT PERMITS AND AUTHORIZATIONS		
2A	Obtain Remaining Major State of Alaska Permits & ROW	Ongoing	Lisa Haas
2B	Maintain Existing Permits & Authorizations	Ongoing	Lisa Haas
2C	Develop Comprehensive Permitting & Compliance Management System	6/30/2021	COMPLETE
2D	Support Transition to Lead Parties	6/30/2022	Lisa Haas

Strategic Plan Progress (continued)

AGDC STRATEGIC PLAN 2021/2022 TACTICAL ACTION PLAN SCORECARD

3	FULL PROJECT VENTURE DEVELOPMENT		
3A	Extend the Letter Agreement with Strategic Parties to 6/30/2023	6/30/2021	COMPLETE
3B	Outline all development agreements with Strategic Parties and assign responsibilities for creation and completion	6/30/2021	Pending 3E Nick Szymoniak
3C	Finalize Equity Structure & Participation Model	6/30/2021	COMPLETE
3D	Identify Commercial Requirements to Enable a FEED Sanction Decision	4/30/2021	COMPLETE
3E	Finalize Lead Party for LNG Subproject	6/30/2021	Nick Szymoniak
3F	Advance Term Sheets for Project Development Agreements to govern FEED	10/31/21	Pending 3E Nick Szymoniak
3G	Develop and maintain a risk register that identifies risks to be allocated in the PDAs and supporting agreements	12/31/2021	Pending 3E Nick Szymoniak
3H	Contract Wood Mac to update their evaluation of the 2016 economic viability of the Project	4/1/2021	COMPLETE
3I	Develop a Project timeline that establishes a reasonable schedule for a FEED stage gate, FID, and COD	6/30/2021	COMPLETE
3J	Submit FY22 AFE (Full Project Venture) for Board approval	6/30/2021	COMPLETE
3K	Advance government-to-government relationships and agreements to compliment international commercial agreements	Ongoing	Nick Szymoniak
3L	Position Alaska LNG as an Energy Transition project including Hydrogen fuel	Ongoing	Nick Szymoniak
3M	Finalize 8 Star Alaska, LLC governance and Project Financing Plan	12/31/21	Pending 3E Nick Szymoniak
3N	Finalize FEED Decision Support Package	6/30/2022	Nick Szymoniak
3O	Approve FEED	7/15/2022	Board of Directors
3P	Transition to GTP & LNG Subprojects within 8 Star Alaska, LLC governance	8/31/2022	Brad Chastain

Strategic Plan Progress (continued)

AGDC STRATEGIC PLAN 2021/2022 TACTICAL ACTION PLAN SCORECARD

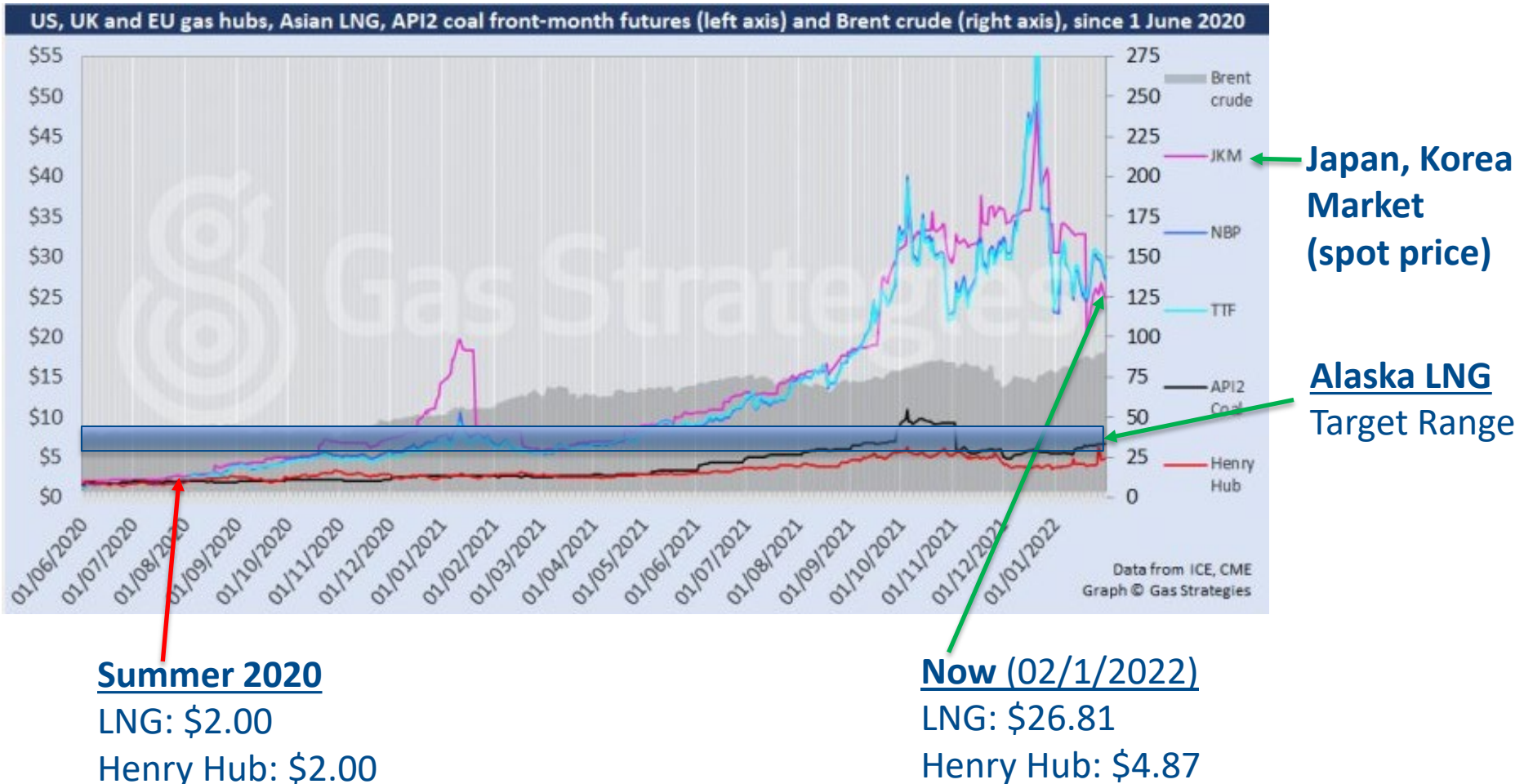
4	PROJECT OPTIMIZATION & COMPETATIVENESS		
4A	Resolve Payment in Lieu of Taxes (PILT)	6/30/2022	Nick Szymoniak
4B	Resolve State of Alaska Fiscal Stability	6/30/2022	Nick Szymoniak
4C	Update the Joint Economic Model with Strategic Parties	6/30/2022	COMPLETE
5	TOTAL PROJECT VALUE EVALUATION		
5A	Develop the Alaska Total Value Economic Model	4/15/2021	COMPLETE
5B	Inform Policymakers & Key Government Stakeholders	4/30/2021	COMPLETE
5C	ADNR Determination of RIV/RIK	3/30/2022	ADNR Commissioner

Venture Development Update



The LNG Market Update

LNG and natural gas spot prices remain high and are expected to remain high for the foreseeable future. This creates an opportune environment to develop Alaska LNG.



LNG Market is Still Growing

- Demand growth will outpace current and planned LNG capacity
- LNG growth expected as part of energy transition as natural gas emits half the greenhouse gasses as coal

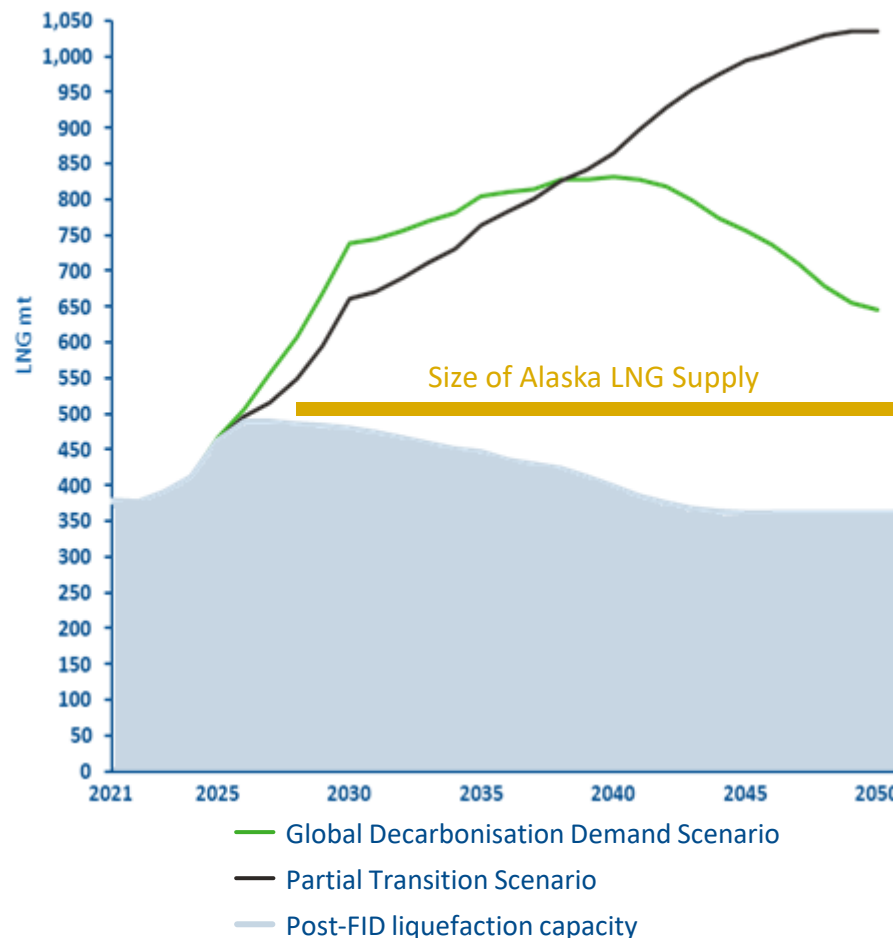
Investors and Buyers want LNG

- New LNG projects expected to be sanctioned in 2022
- Most new projects have some degree of energy transition planning

“...raising capital for these very capital-intensive [LNG] projects has not really been that much of a challenge to the industry. I think that sends a strong signal of confidence that this [LNG] is going to be around for a while.”

-Dan Brouillette, President of Sempra Infrastructure on NPR's Marketplace (Jan 3, 2022)

Global LNG Supply/Demand Balance Forecast,
2021-2050

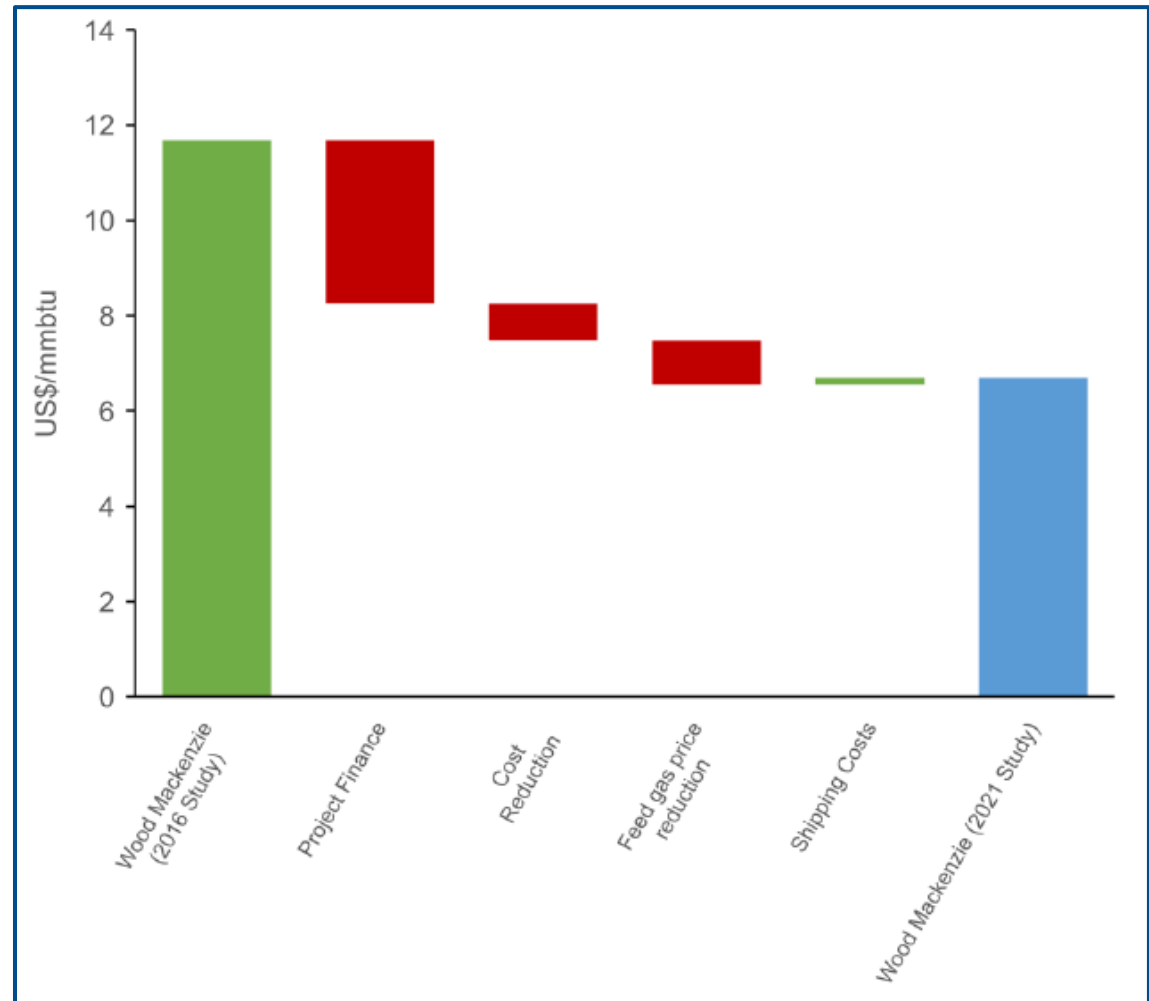


Source: Gas Strategies

Alaska LNG is Competitive

- The Alaska LNG cost of supply has been reduced by 43% since 2016
 - Adopting new tolling commercial model with lower project finance
 - Capital cost reduction
- Alaska LNG is profitable for the private sector
- Alaska LNG is now competitive against US Gulf Coast LNG projects

Alaska LNG Cost of Supply Reductions
(2016 – 2022)



Non-recourse project financing under a tolling model was not widely- used for LNG prior to 2016. Since, it has been used for almost all US LNG capacity.

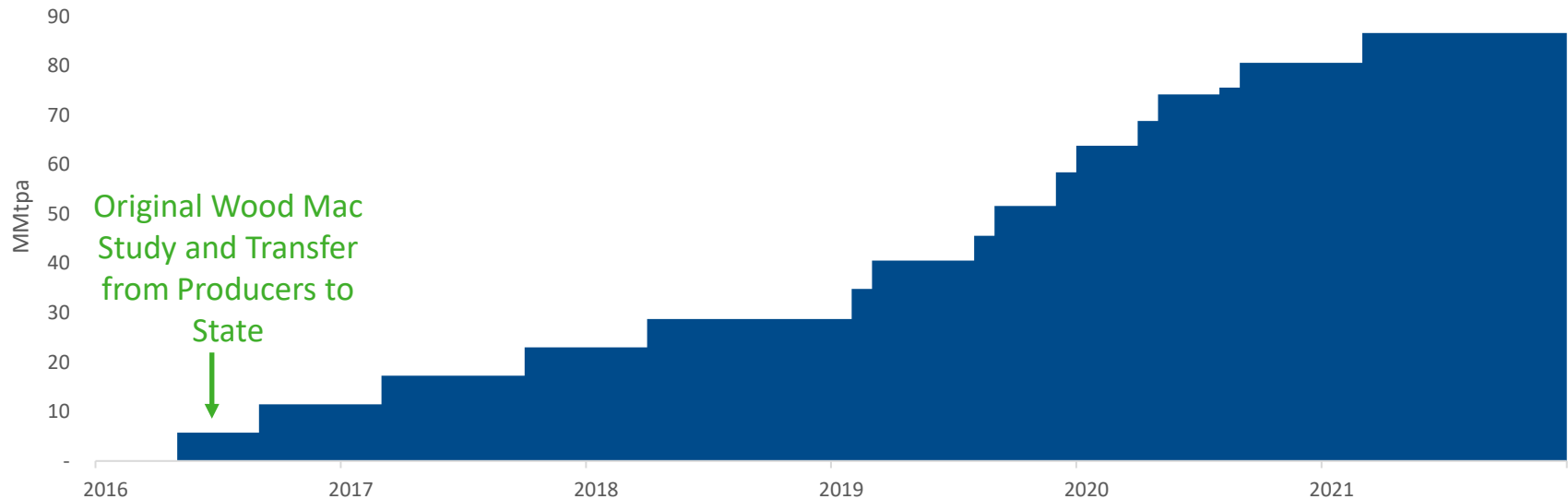
Prior to 2016

- Virtually all LNG projects developed by oil and gas companies without true project financing
- No tolling/capacity charge included in LNG price, LNG sold indexed to oil
- No US LNG exports

After 2016

- The US LNG industry grows to nearly the largest LNG export in the world
- All LNG plants built by developers with project finance model, not oil and gas companies*
- LNG prices include tolling/capacity charge

US LNG Export Capacity Since 2016



*Golden Pass LNG is owned by Qatar Energy and ExxonMobil, currently under construction in Texas

Transition to Private Developers

Replacing the Producers with Infrastructure Developers is critical to improving project economics and moving Alaska LNG forward.

2013-2016

Producer Led

Challenged because the producers do not like investing in large pipelines – they needed higher profits and accept more risk

2017-2019

State Led

Challenged because AGDC does not have the expertise to construct and operate Alaska LNG

2020 - onward

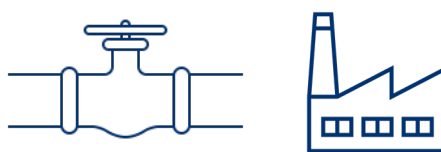
Developer Led

Promising because infrastructure developers require lower profits and lower risk – this reduces the cost of the project and improves economics

The Alaska LNG commercial structure places qualified developers and operators in the specific roles they are best suited for.



North Slope producers
sell natural gas at outlet
of GTP*



Proven private developers
build and operate the
pipeline and LNG plant



Asian LNG buyers
purchase LNG under
long-term contracts

Key Benefits

Does not require North Slope
producers to make large
infrastructure investments

Infrastructure developers
operate large-scale assets with
financing secured by credit
worthy LNG buyers

Low-cost LNG with stable
pricing available from a source
in the North Pacific is
appealing to Asian Buyers

**Other options possible depending on future negotiations.*

Timeline

The next steps for Alaska LNG are focused on securing an LNG Lead Party and moving into a privately funded FEED. The next steps are organized in the following order with construction following.



1. Secure Lead Parties

Current Status of Lead Parties

- GTP Lead Party: Identified the operator, need to develop execution plan for a project of this size
- Pipeline Lead Party: Under agreement
- **LNG Lead Party: Primary focus for AGDC**

LNG Lead Party Requirements

- Track record of successfully developing and constructing LNG projects
- Sufficient capital or access to capital to finance construction
- Desire to operate under tolling structure with project finance

Candidates

- Ongoing discussions with multiple candidates
- Producer support has been identified as a key requirement for LNG Lead Party participation

Next Steps

- Sign an MOU with an LNG Lead Party
- MOU would give LNG Lead Party limited exclusivity in exchange for commitment to negotiate Project Development Agreements and prepare for FEED

2. Project Development Agreements

Project Development Agreements (PDAs)

- Binding agreements that have financial commitments
- Alaska LNG PDAs are expected to govern and fund FEED
- Lead Parties will each have a PDA
- Likely require similar agreements for gas supply and maybe LNG sales
- AGDC's role be facilitator, not leader of these agreements
- These are the agreements that transfer project control from AGDC to private sector (AGDC will retain the right to have 25% ownership at FID)

An LNG Lead Party must be “sitting at the table” before PDAs can be negotiated

Front End Engineering and Design (FEED)

- Once the project enters FEED it is in really good shape to move to a final investment decision (FID) and construction
- FEED is the engineering work that is sufficient to make a FID on Alaska LNG
- Highly likely that FEED will cost hundreds of millions of dollars – paid for by private sector

Status of FEED

- The original FEED plan and cost estimate was developed by Producers
- Each Lead Part will need to develop their own FEED plan and cost estimate
- It is possible that a savvy developer can execute FEED at a lower cost and faster than envisioned by Producers

Technical & Regulatory Update



- Actively maintaining major permits and approvals that are secured for the Alaska LNG Project
- Implementing a structured Compliance Assurance Process to assure compliance with legal requirements
- Maintaining active project interface with Federal and State land managers for Alaska LNG rights-of-way (ROW)
- Coordinating with other land use parties where potential conflicts with Alaska LNG ROW may occur

- FERC Order challenged by Center for Biological Diversity & Sierra Club
 - Petitioners, FERC, and AGDC have filed briefs
 - Petitioners filed a response on January 31, 2022
 - Next steps are final briefs and oral arguments (3-6 months later)
 - Court decision (3-5 months later)
 - If court determines FERC's analysis needs more work, will likely send (i.e., remand) it back to FERC to perform analyses the Court found lacking
- Department of Energy (DOE) license for export to Non-Free Trade Agreement (NFTA) challenged by the Sierra Club
 - DOE is preparing a Supplemental Environmental Impact Statement (EIS)
 - Analysis of potential upstream impacts associated with incremental natural gas production due to exports
 - Lifecycle analysis (LCA) calculating the greenhouse gas (GHG) emissions
 - SEIS process to be concluded in December 2022
- AGDC will continue to support these agencies in defending Alaska LNG's permits and approvals

- Maintaining the comprehensive body of content for the Alaska LNG project including data and documentation accumulated by AGDC
- Progressing new tools for the Pipeline Lead Party transition including pipeline alignment sheets and immersive flyover video
- Supporting strategic parties with collaborative team site tools and the confidential Alaska LNG Data Room
- Supporting Environmental, Regulatory & Lands (ERL) with ROW mapping and data analysis for use in avoiding conflicts with other land use parties
- Technical support to the conceptual Cook Inlet blue hydrogen and blue ammonia initiative with collaborating parties

Advocating for Alaska's Strategic Position

- Alaska's vast North Slope natural gas resource
- Alaska clean hydrogen export potential
- Low-cost LNG for America's allies across the Pacific Basin
- Reducing the U.S. trade imbalance

AGDC.us

ALASKA
GASLINE
DEVELOPMENT CORP.

The logo features a stylized outline of the state of Alaska, composed of several small blue stars arranged to form the state's shape. One larger blue star is positioned to the right of the main outline.