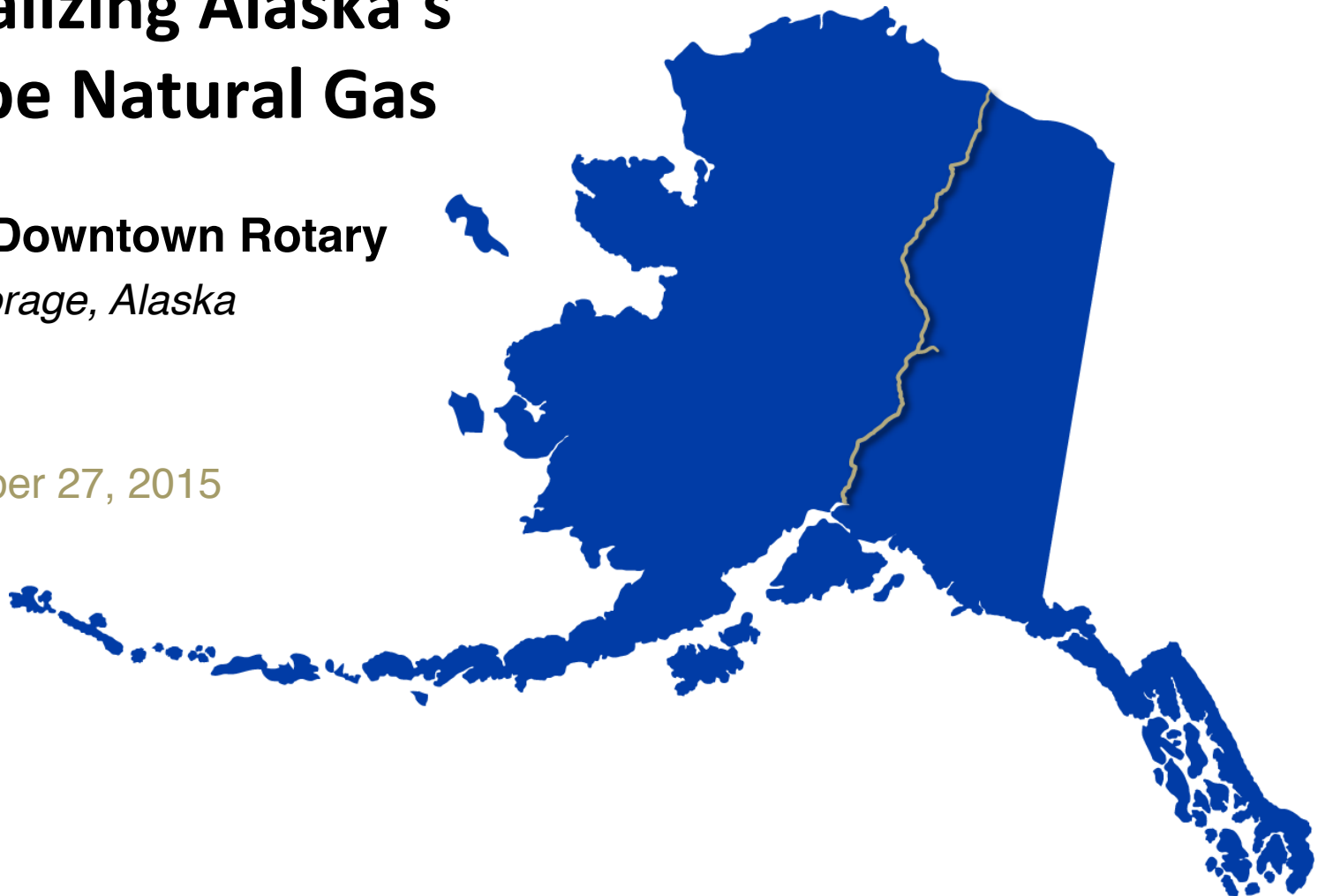




Commercializing Alaska's North Slope Natural Gas

Anchorage Downtown Rotary
Anchorage, Alaska

October 27, 2015



State's 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 Origins

- Initially, AGDC created as a public response to concerns over declining Cook Inlet gas supplies
- Brown out drills; Long-term contracts with utilities uncertain
- High energy costs persist in the Interior
- Fairbanks air quality crisis due to wood and coal combustion – health and environmental concern
- Collectively, this created new sense of urgency to get North Slope natural gas to Alaskans

Estimated North Slope Gas Resource – 33+ Trillion Cubic Feet



Corporate Authority

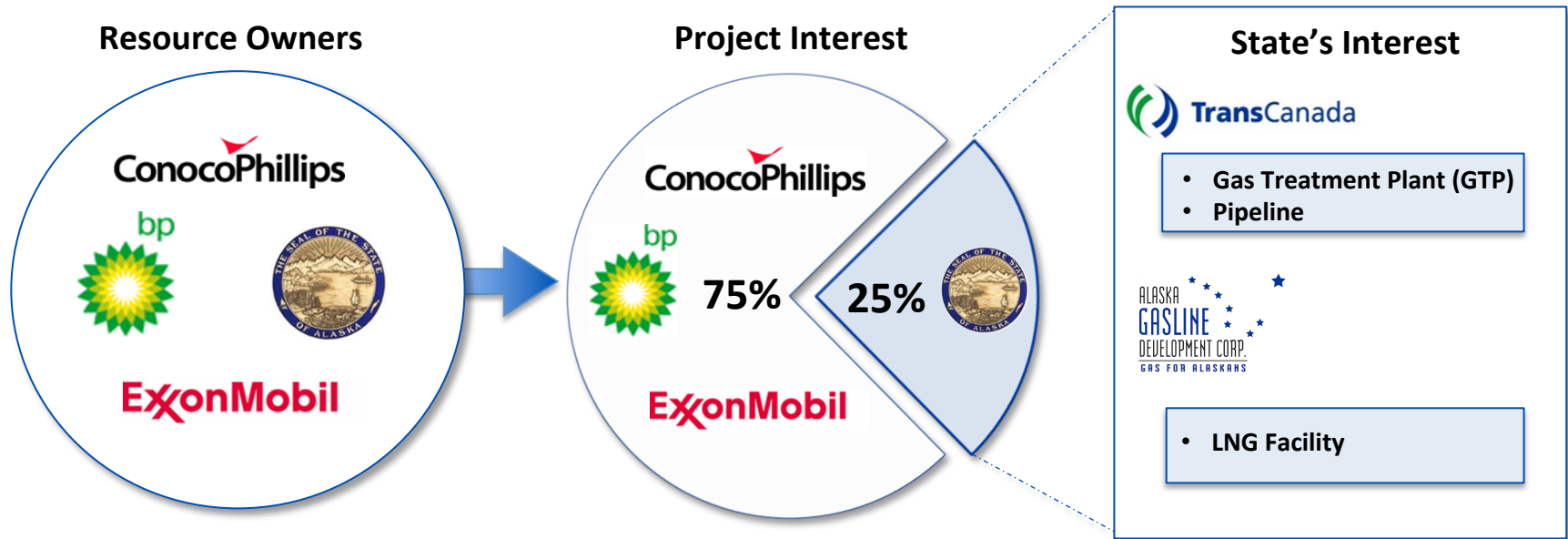
- AGDC has primary responsibility for developing an Alaska LNG project on the state's behalf
- AGDC may acquire a direct ownership interest in any component of an Alaska LNG project
- AGDC may enter into contracts related to treating, transporting, liquefying or marketing gas
- AGDC shall assist DNR & DOR to:
 - Maximize the value of the state's gas resources
 - Provide economic benefits in the state
 - Provide revenue to the state



Alaska LNG

- State is partnered with ExxonMobil, BP, ConocoPhillips and TransCanada
- \$45-\$65 billion, integrated liquefied natural gas (LNG) project, designed principally for the Asian export market
- 99% of North Slope resource owners represented in the project
- State of Alaska 25% equity; will ship and market its royalty and tax gas
- Treatment at Prudhoe; 800-mile pipeline; intermediate compression; LNG plant and marine facilities at Nikiski terminus

Alaska LNG Project Participation



- AGDC holds State's interest in downstream: LNG Facility
- TransCanada holds State's interest in mid-stream: Pipeline & GTP

Legislative Special Session

Legislature just convened in Juneau to consider a \$157.6 mill appropriation request:

- *\$68.4 mill – Acquire TransCanada's mid-stream interests in the project*
- *\$75.6 mill – Fund state's full 25% share of remaining pre-FEED*
- *\$13.6 mill - Fund state agency participation through the end of FY16 (June 2016)*

If approved, AGDC would assume the state's full 25% equity position in the project

AGDC Ability to Assume TC's Role

- Currently 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

AKLNG Project Timeline

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



Pre-FEED: Preliminary Front-End Engineering and Design
FEED: Front-End Engineering and Design

Challenges

- By every standard, this is a world class construction project: \$45 to \$55 billion
- Alaska LNG is a giga-project: three mega-projects being executed simultaneously
- Regulatory and construction risks are higher when working in remote and engineering challenged areas of Alaska
- Low oil prices make large capital investments more difficult for producer partners

Challenges

- Difficult to estimate long-term LNG demand and pricing
- Final Investment Decisions will be economically driven
- Competing against other LNG projects around the world – all looking to sell to the same buyers
- Balancing the risk/rewards of state equity participation in a challenging fiscal environment
- Balancing AGDC's dual mandate to deliver domestic gas at the lowest possible price – while maximizing revenue from a non-renewable state resource

Critical Success Factors

- Maintaining public trust and confidence
- Maintaining alignment between State of Alaska and North Slope producers
- Timely completion of fiscal and commercial contracts
- Ensuring SOA's ability to advance independent, economically viable alternative if Alaska LNG falters
- Maximizing State's financial and other resources to accelerate an Alaska LNG FEED decision

Questions?

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