

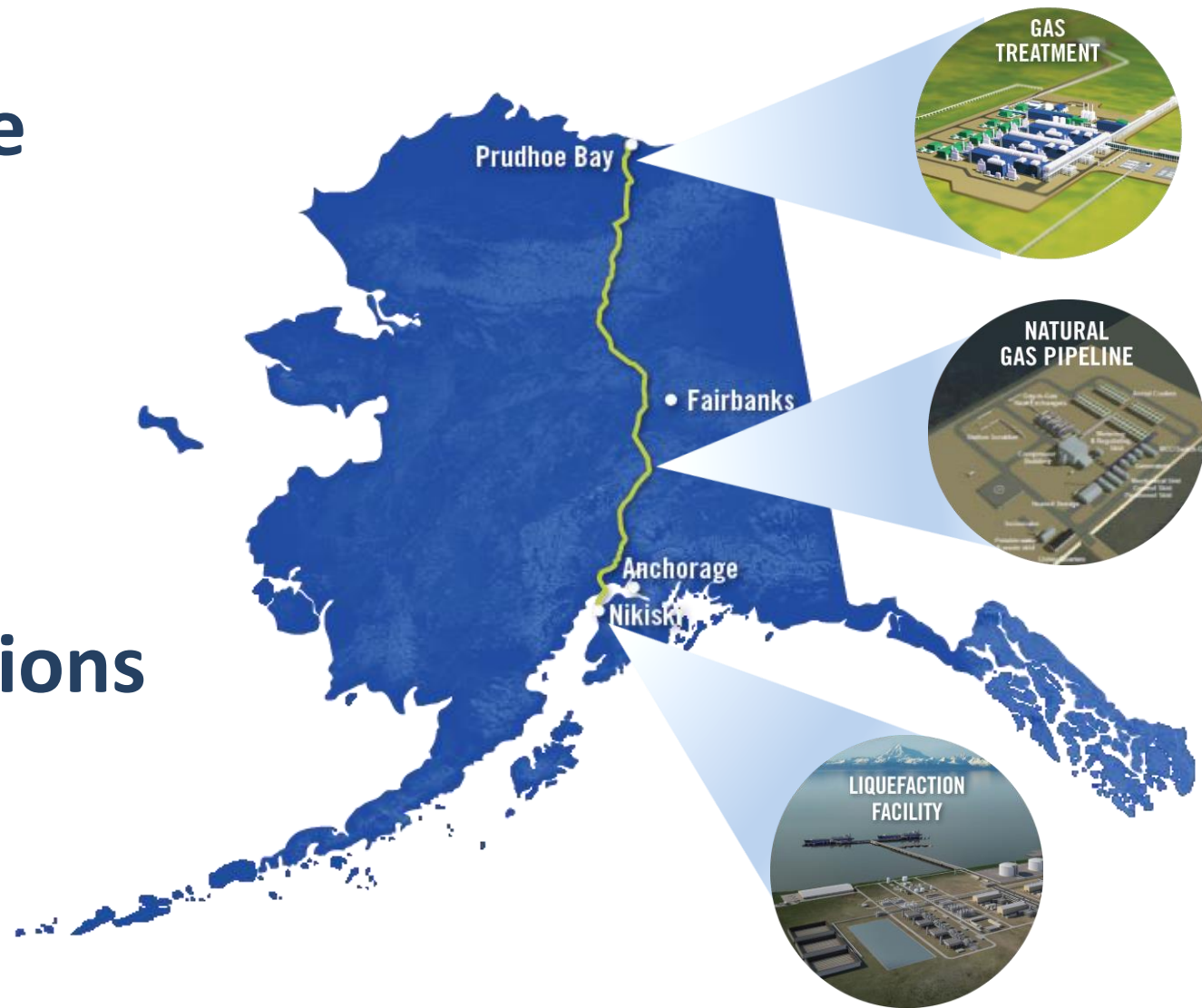


ALASKA GASLINE UPDATE

ANCHORAGE ROTARY – APRIL 2017

Keith Meyer – AGDC President

- **Alaska LNG Update**
 - System Overview
 - Regulatory
 - Finance
 - Commercial
- **Government Relations**
- **Summary**



THE INTEGRATED SYSTEM

North Slope Gathering and Treating

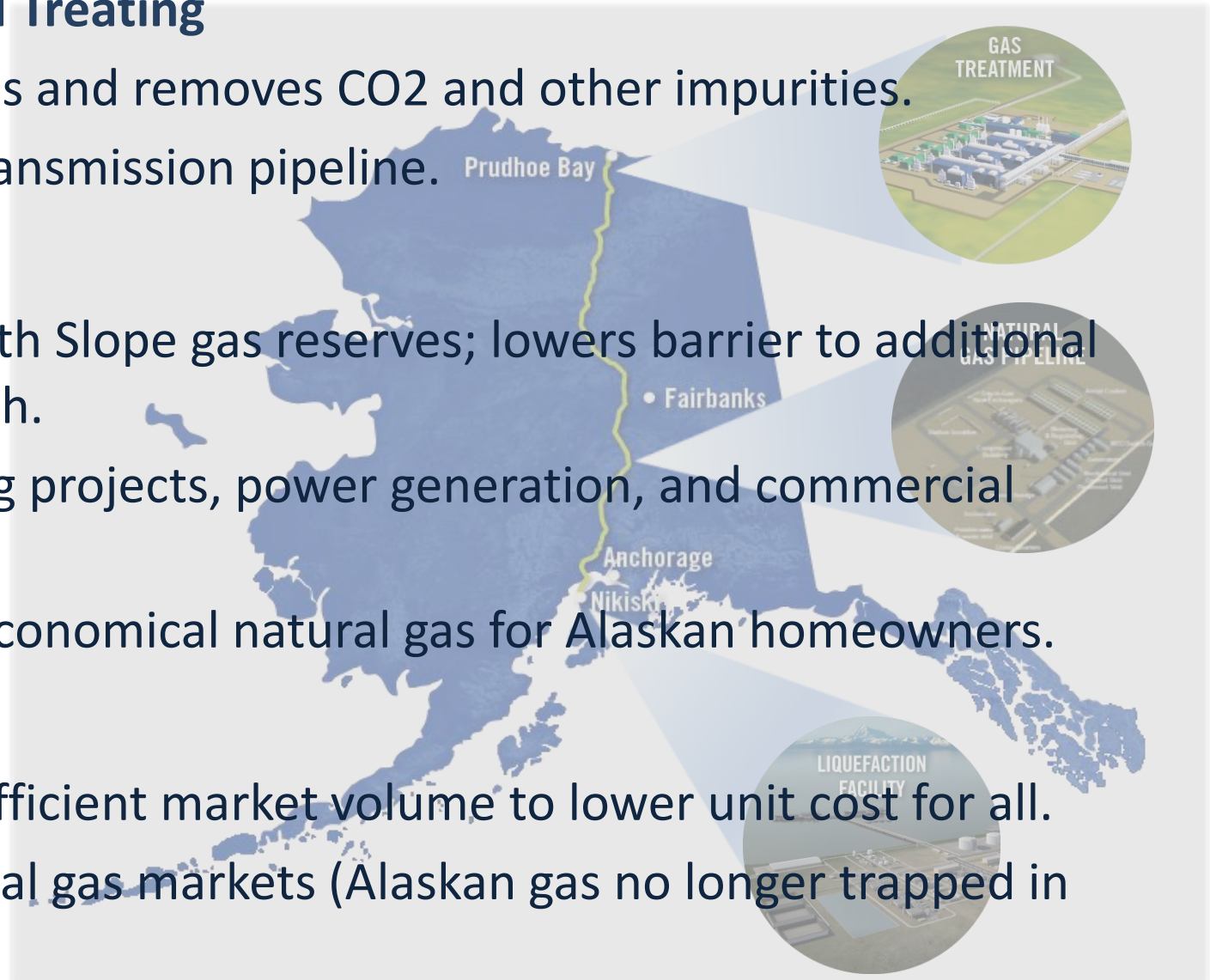
- Collects North Slope gas and removes CO₂ and other impurities.
- Brings gas to the gas transmission pipeline.

Gas Transmission System

- Liberates stranded North Slope gas reserves; lowers barrier to additional E&P activity in the north.
- Provides fuel for mining projects, power generation, and commercial needs.
- Provides reliable and economical natural gas for Alaskan homeowners.

LNG Facility

- Required to provide sufficient market volume to lower unit cost for all.
- Provides access to global gas markets (Alaskan gas no longer trapped in North America).



Creates construction and long-term jobs

- During the peak of construction Alaska LNG could create between 9,000 to 12,000 direct jobs.
- 700 to 1,000 long-term jobs created during the project operating phase (+ 30 years).

Long-term secure source of natural gas for in-state demand

- Alaska LNG can supply stable, low price natural gas for all current and future Alaska demand.
- Mitigates risk of Cook Inlet decline.
- Allows new communities and industries to use natural gas.



Increased North Slope oil production

- Extends the period Prudhoe Bay is economic to operate.
- Gas sales an additional source of revenue for new fields, improving their economics.
- Gasline will increase the probability of finding oil while exploring for gas that can be monetized.

Increased revenue to the State of Alaska

FERC REGULATORY PROCESS



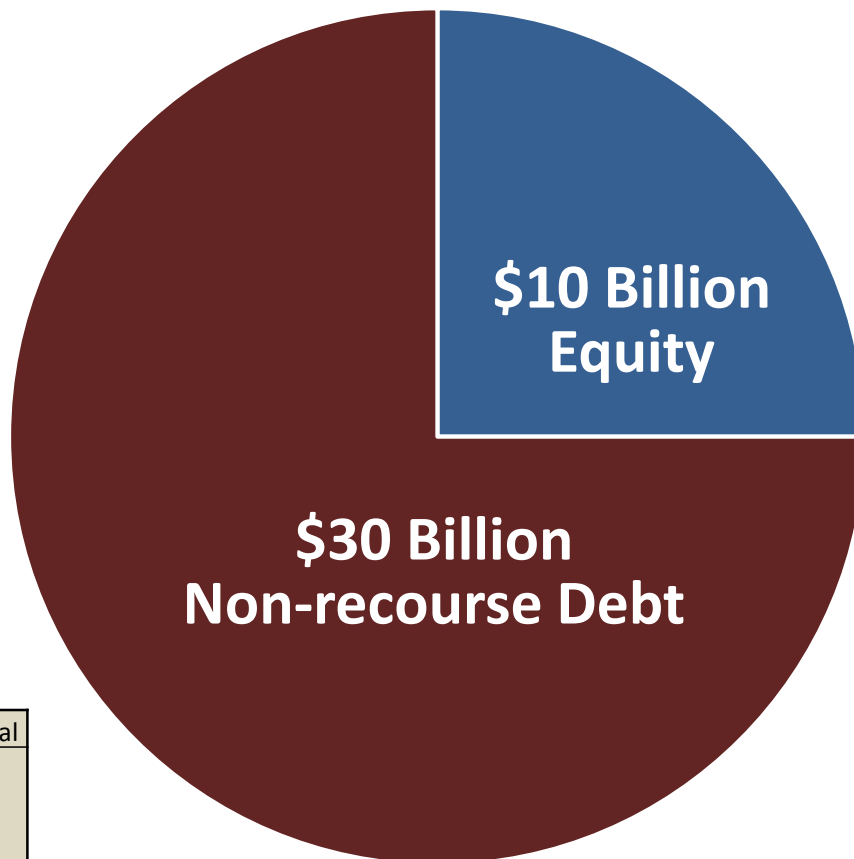
- Submitted April 17, 2017.
- ~50,000 pages.
- **FERC's Next steps:**
 - ✓ 90 days to review.
 - ✓ Prepare Notice of Schedule for EIS.
 - ✓ Prepare Draft EIS.
 - Public Meetings.
 - Respond to Comments.
 - ✓ Issue Final EIS.
 - ✓ FERC issues order authorizing construction.



EIS = Environmental Impact Statement

FINANCING: CAPITAL STRUCTURE

The integrated Alaska gasline and LNG project will cost about \$40 Billion.



\$10 Billion Equity Investment

- Opportunity to earn stable return on equity through initial period.
- Equity Investors can include:
 - AGDC and State of Alaska;
 - Native corporations, municipalities, private citizens;
 - Third parties.

\$30 Billion Non-Recourse Debt

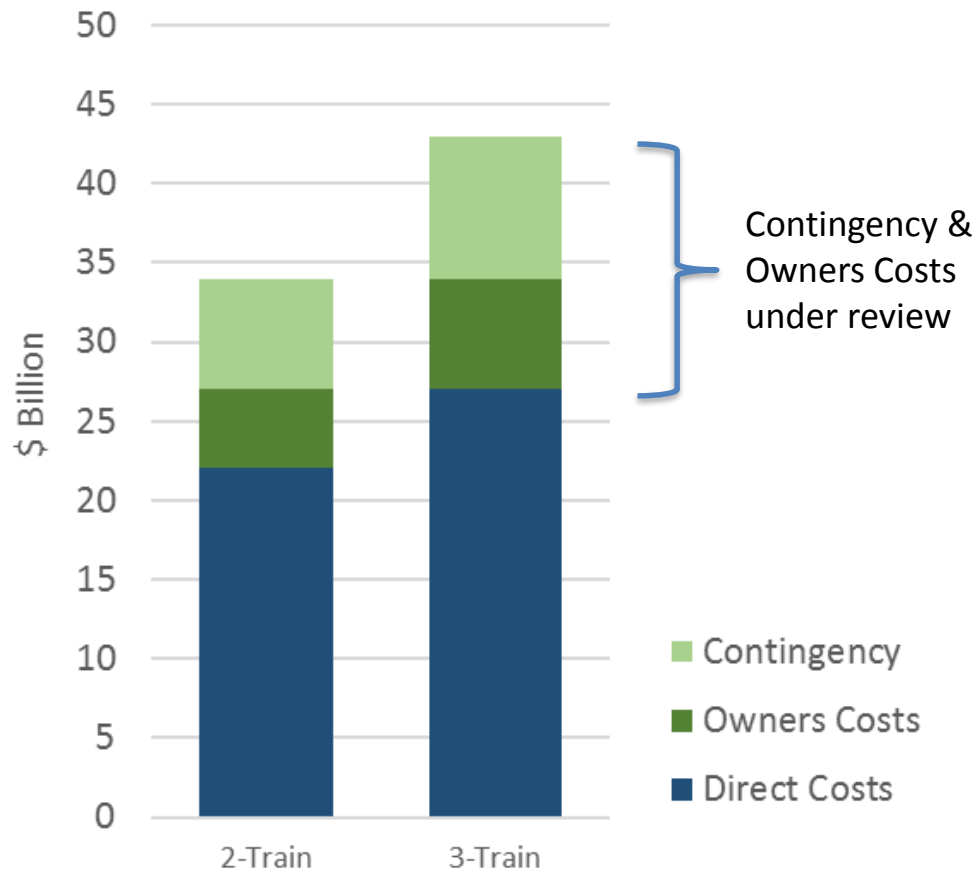
- Backed by long-term contracts.
- Does not create a liability for the equity owners.

Tolls for integrated system to service debt and provide equity return = \$6.00 to \$7.00/MMBtu LNG FOB Nikiski

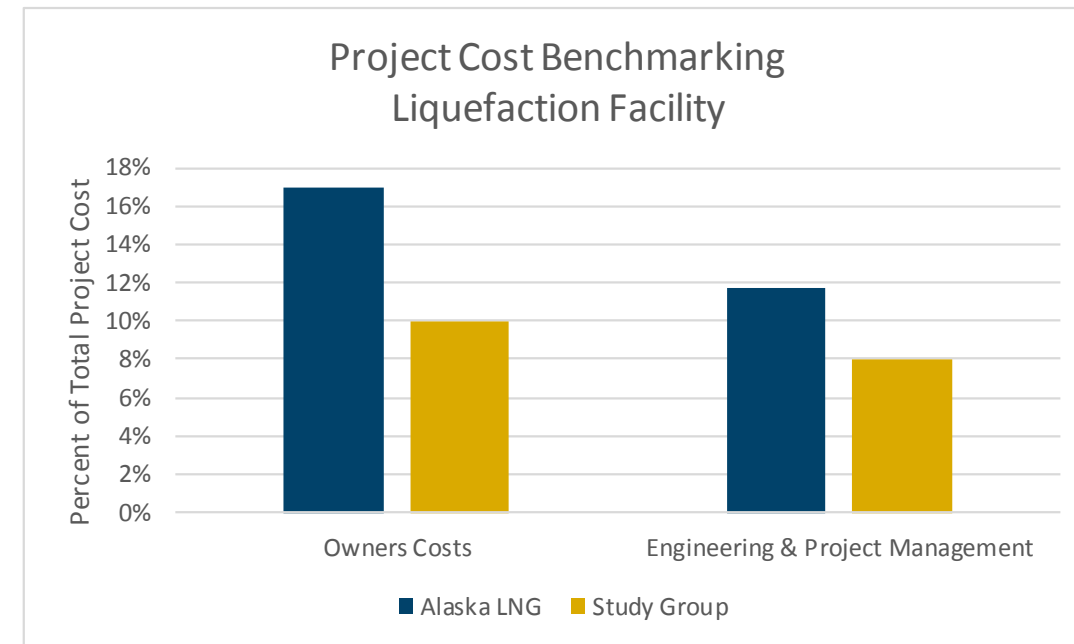
Note: Project may be phased to further reduce the initial capital requirement.

FINANCING: POTENTIAL TO REDUCE COST

Capital Costs by Component



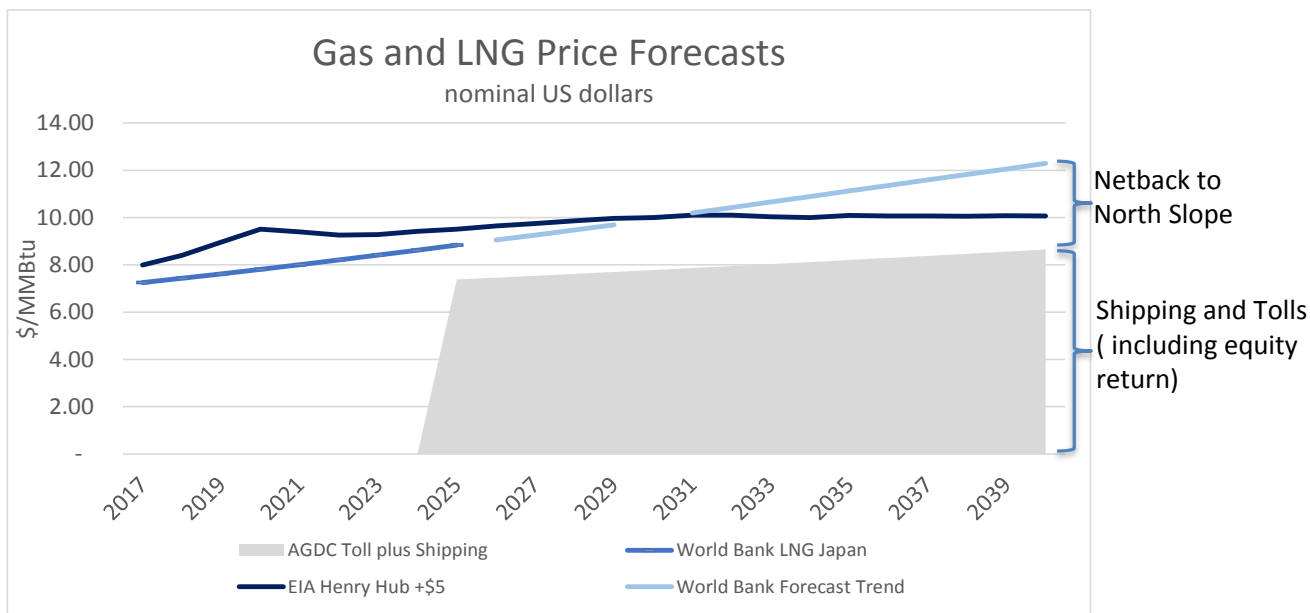
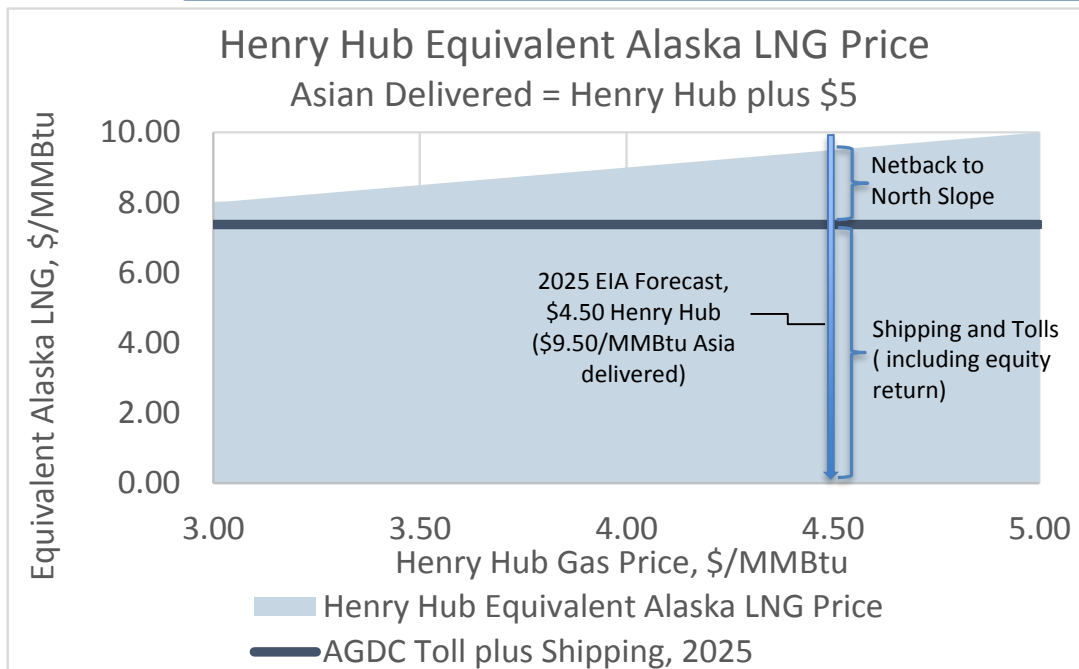
The potential to phase the project, first building a two-train system, expandable to three trains, reduces the exposure to investors.



Contingency and Owners Costs (including Engineering and Project Management) are being benchmarked and further reviewed, with early indication of potential for reduction.

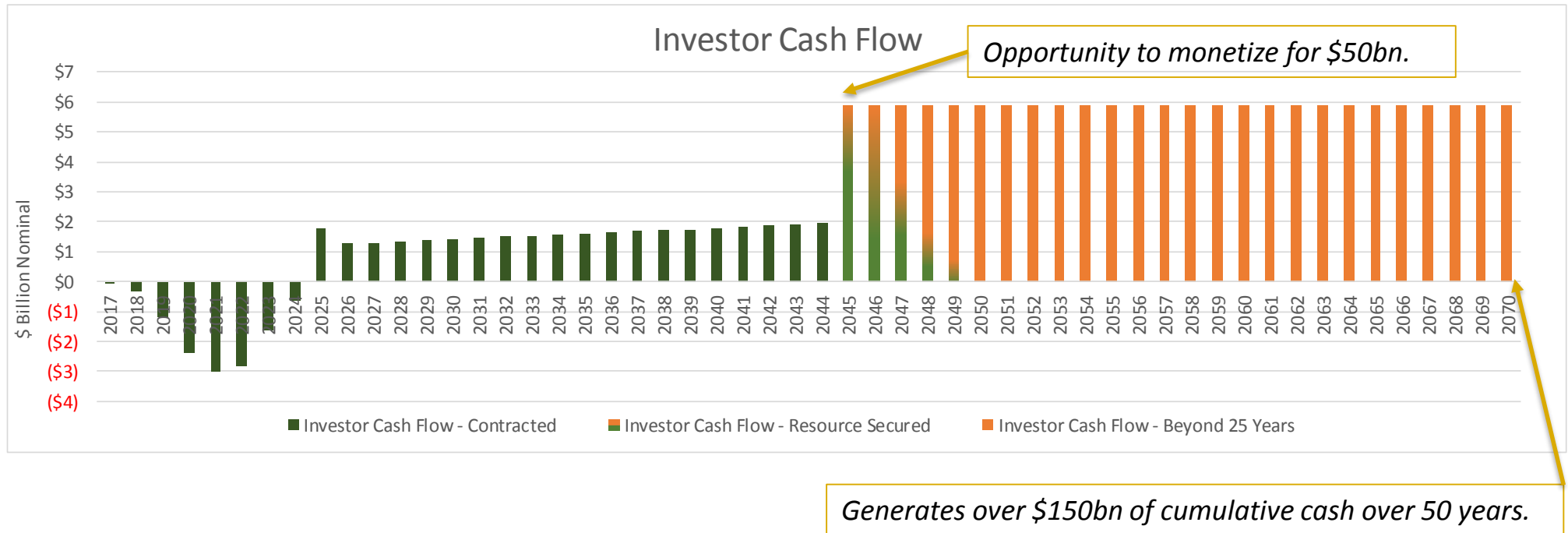
Study Group Source: Oxford Institute of Energy Studies

Alaska LNG is Competitive



Assuming a market price for long term LNG supply in Asia is about Henry Hub plus \$5.00 (the \$5.00 is for liquefaction, fuel, shipping, and Panama Canal charges), then the Alaska LNG project can deliver LNG to Asia with acceptable gas price netbacks to Alaska.

ATTRACTIVE INVESTOR ECONOMICS



Contract Period

- A 20 year firm contact period.
- Acceptable return on investment.
- Secured by “ship or pay” terms.
- Approx. 25 TCF of gas.

Beyond Contract Period

- Debt paid off during contract period releasing more revenue to equity owners
- 30 TCF (10 TCF of known, 20 TCF of YTP) needed to operate an additional 25 years – 10% of potential “yet-to-prove”.
- Asset Value at 2045 could be \$50bn.
(Assumes 10% return over following 20 years, same tolls and volumes)

Alaska LNG Summit:

- 23 International guests; 14 companies.
- Strong local support;
 - Warm welcome at every stop,
 - Speaker participation by many stakeholders,
 - Cost of event covered with sponsorships.

GasTech, Tokyo (week of April 3, 2017):

- LNG Summit follow up; individual meetings;
- Some new introductions

Upcoming Commercial Outreach Efforts

- Engage potential Chinese LNG buyers and investors.
- Preparation for CWC Beijing Conference (May 17-19, 2017).
- Preparation for CWC Americas Conference (June 20-22, 2017).
- Broader Asia-Pacific efforts.



Phase 2: Prudhoe Bay



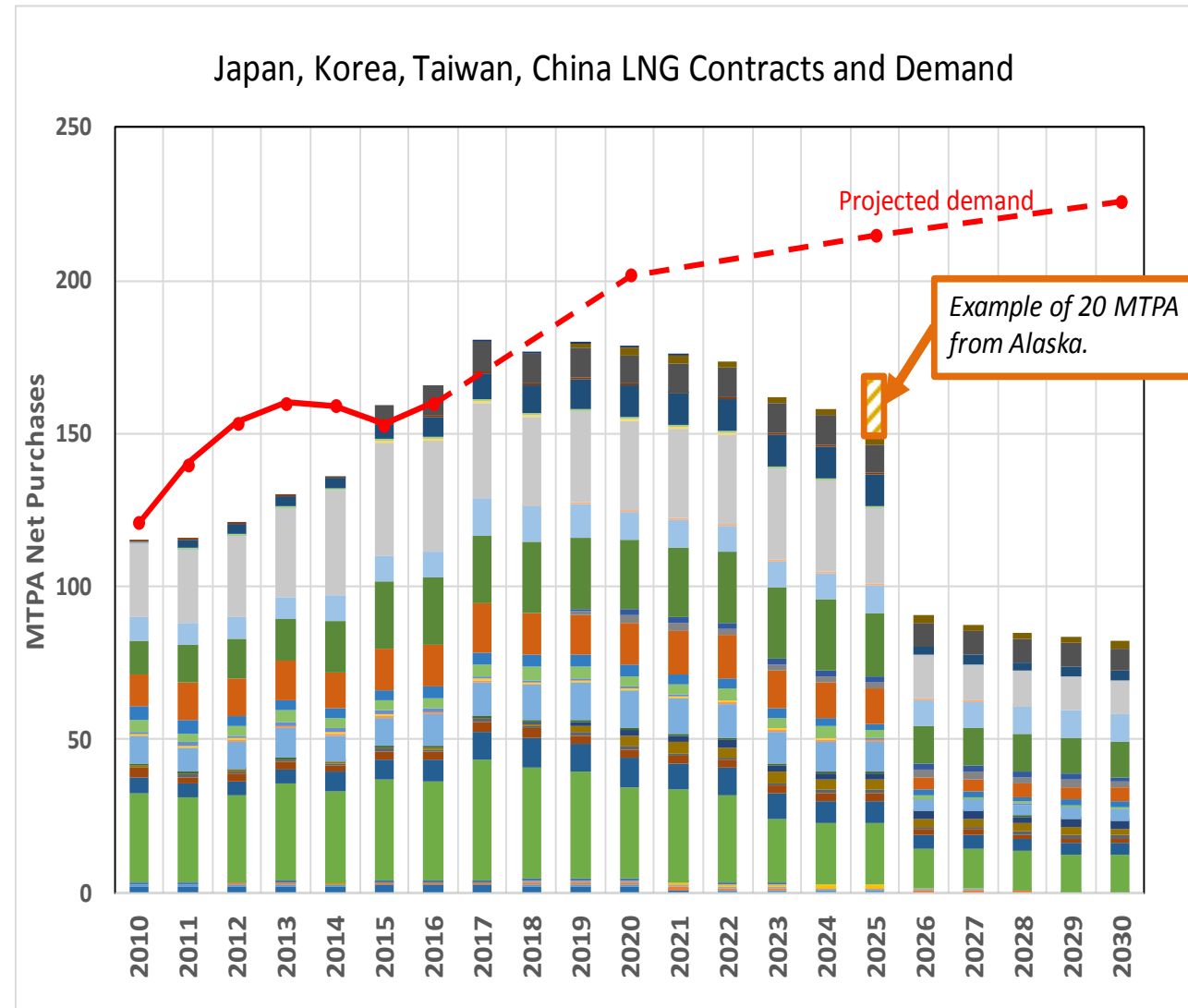
Sunshine: Kenai Peninsula

- Historic visit of Chinese President Xi.
- Alaska meeting followed meeting with President Trump.
- Significant growth prospects for LNG.
- AGDC present at formal meeting and private dinner.
- Alaska LNG project was topic of major discussion.



**China President Xi tells Alaska “we have 100 years of LNG demand”;
Alaska tells President Xi “we have 100 years of supply.”**

- Major LNG buyers over-contracted during the 2010-12 “LNG rush”.
- Oil and gas prices currently low.
 - Revenue declines force capital budgeting prioritization.
 - Low prices reduce rates of return for project investment.
- New long term LNG projects needed in the mid-2020’s timeframe.
 - Some large existing contracts expire.
 - Asian buyers have contracted supply gaps of over 70 MTPA by 2025.
 - Global demand grew 7.5% in 2016.



- **Many supply projects chasing same demand**
 - Over 20 North American proposals; seven filed in Texas alone.
- **Historical oil-linked pricing.**
 - Allows sellers to participate in oil volatility and upside.
 - Buyers have no certainty of price stability.
- **New US Gulf Coast supply projects (Texas, Louisiana)**
 - Tolling contracts provide partial stability (\$3.25/MMBtu).
 - Henry hub based supply still has volatility.
- **Alaskan advantages and requirements can become market benefits.**
 - Geographic proximity.
 - Known, proven, conventional supply.
 - Long term stable infrastructure pricing.



US Federal Initiatives

- US White House holds conference call with states to hear of infrastructure projects.
 - » White House staff refers to the Alaska gasline project as the type of “big meaty project” they are looking for.
- VP Pence visit April 15; Alaska gasline significant focus.
- Alaska provides the US with a strategic energy export in the Asia Pacific region.

Alaska Initiatives

- Legislative semi-monthly reports being issued.
- State agencies to coordinate FERC permitting issues through DNR.
- Trying to reduce negative AK press bias.

AMERICA'S LARGEST ENERGY EXPORT PROJECT

TRANSFORMING **ALASKA GAS** INTO **JOB**
AND EXPORTS TO THE ASIA-PACIFIC REGION

Alaska holds America's largest concentration of proven, conventional, but stranded gas supply. Through the development of an 800-mile pipeline and LNG facility, Alaska can supply domestic projects and can provide a stable source of gas supply to our allies in the Asia-Pacific region. With expedited regulatory approval the project can finalize commercialization and begin construction.

This LNG project will create 10,000 direct jobs and up to 70,000 total jobs without burdening the taxpayers, increase our national energy production capacity, and strengthen commercial ties with our allies.


Alaska gave birth to the US-Japan LNG trade and now seeks to be the strategic supplier to the region.

ALASKA MOVING FORWARD

- NEW ENERGY INFRASTRUCTURE
- 70,000 NEW CONSTRUCTION & RELATED JOBS
- STRENGTHENS ENERGY TIES WITH OUR ALLIES
- IMPROVES TRADE BALANCE WITH ASIAN MARKETS

Alaska LNG will be pivotal and profitable for America.



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- **Integrated Alaska gasline and LNG project is beneficial to Alaska and the United States.**
 - **Can be competitive in the global LNG market.**
 - **Can be an attractive equity investment for investors seeking long term stability with future upside.**
 - **Alaska will need to compete with Texas and other global projects but has delivered cost and geographic advantages that others cannot match.**
 - **Alaskans need to believe in their own project and our ability to compete in the global arena.**

**** End ****

QUESTIONS?



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