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State signs commercial agreements for Alaska LNG Project
Agreements go next to Alaska Legislature for review

(Anchorage, AK) – Natural Resources Commissioner Joe Balash, Revenue Commissioner Angela Rodell and Alaska Gasline Development Corporation (AGDC) President Dan Fauske announced today that they have signed a Heads of Agreement (HOA) with ExxonMobil, BP, ConocoPhillips, and TransCanada Corp., regarding the proposed Alaska LNG project, which would provide gas to Alaskans and be one of the largest export projects of its kind in the world.

“This agreement is essential to establishing the commercial structure of this project and will allow the project’s investors to move this project, so important to the future of all Alaskans and our broader economy, on a clear path forward,” said Commissioner Rodell.

“As an equity partner, the state will play a critical role in setting the terms for decades-worth of gas production from the North Slope. In setting these terms, our goal will be to maximize the royalty value of the state’s gas on behalf of all Alaskans,” said Commissioner Balash.

“Today’s agreement reaffirms AGDC’s central role as Alaska’s gas pipeline company and further enables the corporation to explore every option for delivering gas to Alaskans at the lowest possible cost. We’re moving full-steam ahead with our own Alaska Stand Alone Pipeline (ASAP) project and on-track for an open season in 2015,” Fauske said.

In addition to the HOA, the two commissioners have also signed a Memorandum of Understanding (MOU) with TransCanada defining the pipeline company’s role in developing the midstream (pipeline) portion of the

project. Both documents were made public today and will serve as guidance to the Alaska Legislature during its review of legislation Governor Sean Parnell will propose during the session beginning Tuesday, Jan. 21. The HOA provides a roadmap for the Alaska LNG Project to ramp up the Pre-Front End Engineering Design (Pre-FEED) stage and establishes a framework for negotiating multiple project-enabling agreements. The HOA includes the state as an equity partner, provides gas to Alaskans, lays out proposed fiscal terms, and includes pro-expansion principles that will allow third-party access to all of the project components, including possible construction of a new LNG train at the liquefaction plant. It outlines significant participation by AGDC, including a new subsidiary to carry the state's interest in the project, and specifically recognizes that AGDC will continue to pursue the ASAP instate gasline project.

The MOU with TransCanada is part of an amicable wind-down of its Alaska Gasline Inducement Act (AGIA) license and describes an arrangement for the company to provide the State of Alaska with transportation services for the state's royalty and tax share of gas flowing through the pipeline, including offtake points for instate gas deliveries. TransCanada would fund midstream development work and provide the state with an option to purchase up to 40 percent of the equity in the midstream component of the state's portion of the overall project before it moves to Front End Engineering Design (FEED). The MOU also provides that TransCanada will work with the state to expand the Gas Treatment Plant and pipeline to additional, third-party gas producers on the North Slope. Various aspects of the MOU provide terms that are more attractive than what exists under AGIA, such as the debt structure for future pipeline expansions.

Governor Parnell announced in a Friday, Jan. 10 speech (available at <http://gov.state.ak.us/parnell/press-room/full-press-release.html?pr=6706>) that he will ask the Alaska Legislature to take up bills that authorize DNR to modify leases, allow the state to enter gas shipping agreements, revise the production tax for natural gas, authorize AGDC to participate in liquefaction and make other changes. This legislation will pave the way for the LNG project partners to spend hundreds of millions during the pre-FEED stage. During the subsequent FEED stage (prior to construction), billions must be committed to complete the project engineering and design.

"We will be asking for some new powers that will allow us to fully participate in the LNG project, but in working through the legislative process, we intend to maintain transparency in our decision-making process. While the series of steps needed to execute an LNG project are more complicated than a traditional pipeline project, it remains important to include the public at each major decision point," Balash said.

Following approval of the legislation, the state and the companies expect to complete their pre-FEED work in roughly 18 months. The FEED stage lasts two to three years, after which a final decision is made to proceed to construction.

The HOA and MOU are public documents and are available for review at www.dor.alaska.gov.

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