

2017 | ANNUAL REPORT



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U.S. President Donald Trump and People's Republic of China President Xi Jinping witness AGDC President Keith Meyer and Alaska Governor Bill Walker sign a Joint Development Agreement with China Petrochemical Corporation (Sinopec), CIC Capital Corporation (CIC Capital), and Bank of China to advance Alaska LNG at the Great Hall of the People in Beijing, China, on November 9, 2017.

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AGDC's vision is to maximize the benefit of Alaska's vast North Slope natural gas resources through the development of infrastructure necessary to move the gas into local and international markets.

Alaska Moving Forward: Delivering Natural Gas to the World.



Message from the Chairman

Dave Cruz, Chairman of the Board

When I became chairman of the Alaska Gasline Development Corporation (AGDC) board I emphatically stated that we are not here to study another pipeline project — we are here to build a pipeline. With this clear objective in mind, the AGDC board tackled 2017 head-on and I could not be more proud of the progress we made toward developing Alaska’s natural gas infrastructure project.

Comprised of Alaskans representing industry, government, and labor, our board members are actively involved in setting the strategic direction for AGDC. Through monthly committee and board meetings, directors work with staff to successfully navigate regulatory, commercial, and political challenges and opportunities. Additionally, throughout the year, board members engaged in major AGDC marketing events such as the Alaska LNG Summit and visits to Alaska by potential liquefied natural gas (LNG) buyers and investors.

I believe, more than ever, that the economic, energy, and workforce benefits of a natural gas pipeline are crucial to Alaska’s future. Alaska has a unique opportunity to make this critical infrastructure a reality. As Alaskans committed to the state’s long-term success, the board of directors takes this responsibility personally.

As we move into 2018, propelled by our regulatory and commercial accomplishments of the past year, AGDC will rely on the expertise of individuals and companies that have successfully advanced similar world-class projects. Now is the time to complete what was envisioned decades ago: the construction of a natural gas pipeline and infrastructure necessary to bring Alaska’s vast, proven, North Slope natural gas resources to market.

We are here to build a pipeline and that is exactly what we plan to do as the board of AGDC.

Sincerely,



Dave Cruz, Chairman



AGDC Chairman Dave Cruz signs Resolution 2017-1 authorizing submittal to the Federal Energy Regulatory Commission (FERC) of AGDC's application for construction authorization under Section 3 of the Natural Gas Act on April 17, 2017.

“We are not here to study another pipeline project, we are here to build a pipeline.”

— Dave Cruz

“The stars aligned for Alaska LNG in 2017. As the U.S. administration sought to use LNG as a geopolitical trade tool to help offset a growing trade imbalance with Asia, the administration launched an initiative to expedite large infrastructure projects. As China sought to use natural gas as a means to provide a cleaner fuel to Chinese communities, we brought the potential customer, lender, equity investor, and developer together with the common objective of bringing Alaska’s vast, proven North Slope resources to market.”

— Keith Meyer



AGDC President Keith Meyer addresses journalists during a press conference announcing details of the Joint Development Agreement with China on November 21, 2017.

Message from the President

Keith Meyer, President

2017 was a very productive year for AGDC. Through a lot of hard work and a little good fortune, the stars aligned for Alaska LNG. Our team of engineers, commercial negotiators, contractors, and other dedicated Alaskans worked tirelessly to advance Alaska's integrated gas infrastructure project.

We completed the transition of Alaska LNG leadership to the State of Alaska, through AGDC, in December 2016, so we were able to hit the ground running in January of the new year. Throughout 2017, we maintained an aggressive pace on all fronts with a particular emphasis on commercial structure and the regulatory process.

I am particularly pleased to report AGDC's Joint Development Agreement (JDA) with China Petrochemical Corporation (Sinopec), CIC Capital Corporation (CIC Capital), and Bank of China. This "government-to-government" agreement brings a potential customer, lender, equity investor, and developer together with a common objective of crafting mutually beneficial long-term contracts in order to develop Alaska LNG.

Additionally, we have signed Memoranda of Understanding (MOU) with the Korea Gas Corporation (KOGAS) and PetroVietnam Gas as well as Letters of Intent (LOI) with Tokyo Gas Co., Ltd. and seven other large LNG buyers across the Asia-Pacific region. Now, we will turn our attention to the completion of definitive agreements necessary to underpin the financing of Alaska LNG.

We also made significant progress advancing Alaska LNG through the regulatory process in 2017. In April, we filed our application to obtain a Natural Gas Act Section 3 permit with FERC for Alaska LNG. We expect FERC to publish a schedule for the National Environmental Policy Act (NEPA) and develop the Environmental Impact Statement (EIS) for Alaska LNG in early 2018.

Alaska LNG is an attractive opportunity for large LNG buyers across the Asia-Pacific region due to the state's unique ability to deliver energy stability at competitive prices and with reliability and shipping advantages. Alaska LNG is also of national importance as it helps provide the opportunity for the United States to reduce the trade deficit with Asia. Finally, Alaska LNG is critical to bringing low-cost, clean energy to Alaskans for in-state domestic and industrial use. I am confident Alaska LNG will clear the LNG and financial markets as well as provide an acceptable "netback" to Alaska and an attractive return on investment for investors.

Energized by our progress throughout 2017, I am excited about the coming year. Though we still have much work to do, the stars are aligned for Alaska LNG. Now is the time to bring the North Slope's vast, proven, natural gas resources to market to fuel Alaska's future.

Sincerely,



Keith Meyer, President

Board of Directors

Chairman

Mr. Cruz, of Palmer, Alaska, is president of Cruz Companies, specializing in oil field services, heavy civil construction, remote camp construction, tug and barge operations, and a variety of other construction support activities. He has served on the Matanuska-Susitna Borough Port Commission, and is a past president of the Associated General Contractors of Alaska. Currently, he serves on the board for the Resource Development Council of Alaska and is a member of the Alaska Support Industry Alliance.



Vice Chairman

Mr. Short, of Girdwood, Alaska, is co-founder and chairman/CEO of Pt Capital, an investment firm based in Anchorage, Alaska. Prior to Pt Capital, he was president and CEO of Alaska Growth Capital, an Arctic Slope Regional Corporation subsidiary. He served as chairman of the Alaska Industrial Development and Export Authority and as a member of the Alaska Energy Authority. He was mayor of Bethel, Alaska, from 2002 to 2004. Currently, Mr. Short is on the board of Rural Energy Enterprises and United Utilities, Inc.



Secretary-Treasurer

Mr. Merrick, of Eagle River, Alaska, is secretary-treasurer for Laborers' Local 341. He has served as a general foreman, business agent, and president. He has more than 15 years of construction management experience in the pipeline industry. He is active with the Alaska Military Youth Academy, Resource Development Council of Alaska, Anchorage Chamber of Commerce, the Alaska Support Industry Alliance, and Commonwealth North. Mr. Merrick has also served on the Alaska Workforce Investment Board.





Heidi Drygas

Director

Ms. Drygas, of Juneau, Alaska, was appointed Commissioner of Labor in December 2014. Prior to being named commissioner, Ms. Drygas spent nearly a decade as general counsel to the Alaska District Council of Laborers. She earned a Bachelor of Arts degree in history from the University of Alaska Fairbanks and a Juris Doctor degree from Willamette University in Salem, Oregon.



Marc Luiken

Director

Mr. Luiken, of Anchorage, Alaska, was appointed Commissioner of Transportation in January 2015. Previously, he served as commissioner from December 2010, to October 2012. Mr. Luiken also has experience as a senior project manager with RLG International supporting the oil industry in Alaska. Prior to his service with the State of Alaska, Mr. Luiken served 29 years in the U.S. Air Force.



David Wight

Director

Mr. Wight, of Anchorage, Alaska, served as president and CEO of Alyeska Pipeline Service Company from 2000 to 2006. Previously he was the president and chairman of BP Amoco Energy Company Trinidad and Tobago from 1992 to 2000, playing an integral role in the development and construction of an LNG facility. He is a past member of the Alaska Oil and Gas Association Board and the Association of Oil Pipe Lines Board. Currently, Mr. Wight is on the boards of Northrim Bank, Commonwealth North, and the Nature Conservancy of Alaska.



Warren Christian

Director

Mr. Christian, of North Pole, Alaska, is the current president of Doyon Associated, LLC. Previously, he served as the president and general manager of ASRC Energy Services' Houston Contracting Company. He brings more than 30 years of experience in the construction and oil field services industries on the North Slope and across Alaska. Mr. Christian's expertise spans the entirety of pipeline projects. He serves as President of the North Slope Contractors Association.

Executive Management

President

Mr. Meyer is a seasoned executive with 37 years of global energy industry experience. He has served in senior management positions in both Fortune 500 and smaller, fast growing energy companies. He has led multi-disciplinary teams in the development of large-scale infrastructure projects spanning four continents, including LNG terminals, natural gas pipelines, power plants, gas liquids plants, storage, and gas separation projects. Mr. Meyer is an MBA graduate of Rice University and has served as guest lecturer at Duke University, Louisiana State University, the University of Houston, and has been a course instructor for Rice University's Energy Management Certificate program.



Keith Meyer

Senior Vice President | Program Management

Mr. Richards is a registered professional civil engineer with 31 years of experience developing large-scale infrastructure, power, mining, and oil development projects. He oversees development and execution of all AGDC projects. He came to AGDC after serving as the deputy federal coordinator for Alaska Natural Gas Transportation Projects. He earned a Bachelor of Science in civil engineering from the University of Maine.



Frank Richards, P.E.

Vice President | Commercial and Economics

Ms. Wilcox leads the commercial and economics department, responsible for developing and negotiating commercial agreements, developing project market offers, and supporting all business decisions with both strategic and detailed economic justification. She has 18 years of experience in the Alaska oil and gas industry as a commercial analyst, negotiator, and organizational leader. Ms. Wilcox holds a bachelor's degree in business administration in economics from the University of Alaska Fairbanks.



Lieza Wilcox



Leslie "Fritz" Krusen

Vice President | LNG and Administrative Services

Mr. Krusen is responsible for administrative oversight and technical aspects of the Alaska LNG project. Previously, he had a 36-year career with ConocoPhillips that included engineering, technical management, and project management positions, most recently serving as chief facilities engineer. He brings 26 years of worldwide LNG experience to the position including design, startup, and operations. Mr. Krusen holds a Bachelor of Science in electrical engineering from the University of Kansas.



Rosetta Alcantra

Vice President | Communications

Ms. Alcantra leads the external affairs and government relations department and is responsible for internal and external corporate communications. She has more than 20 years of experience in project management, administration and implementation of public outreach projects, planning strategies, and key message development. Ms. Alcantra has a Bachelor of Arts in political science from the University of Alaska Anchorage.



David W. Haugen, PMP

Vice President | Project Management

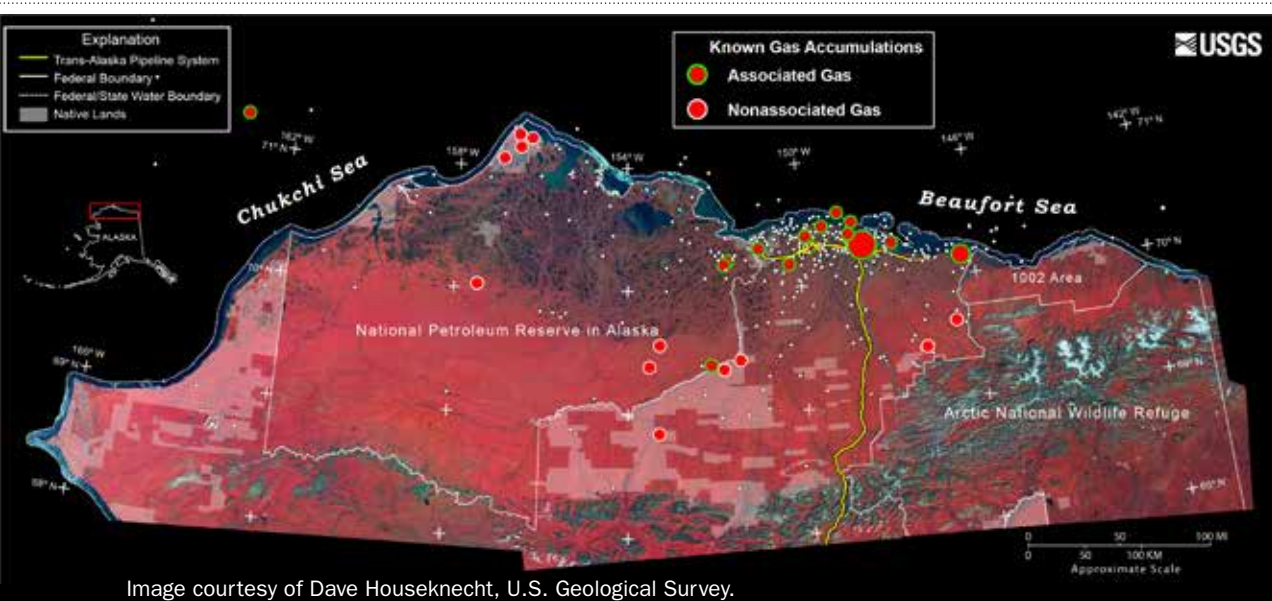
Mr. Haugen manages the technical staff of AGDC, consisting of pipeline and facilities engineering, construction management, project services, environmental, regulatory, and land. He is a pioneer in Alaska's pipeline industry, having worked on the construction of the Trans-Alaska Pipeline System with Alyeska Pipeline Service Company. His degrees include a Bachelor of Arts, Bachelor of Science and a Masters of Science in engineering management. He is certified as a Project Management Professional.



Masatoshi "Nick"
Shiratori

Executive Advisor

Mr. Shiratori maintains AGDC's corporate presence in Japan and is responsible for client management. He has 39 years of experience in the oil and gas industry. Previously, he was an executive vice president at the Mitsubishi Corporation where he gained worldwide knowledge in LNG commerce. In his role at AGDC, he advises on marketing and networking in Japan. Mr. Shiratori holds a bachelor's degree in commerce from Hitotsubashi University.



False-color composite Landsat image of Alaska's North Slope showing outlines of Federal and Native lands, Trans-Alaska Pipeline System, and locations of known accumulations of natural gas; size of dots proportional to size of gas resources. Associated gas is natural gas associated with oil accumulations, typically as a gas cap above oil; Nonassociated gas is natural gas that occurs with little or no associated oil. White dots are exploration wells.



Alaska LNG Summit attendees experience "Phase II Conditions," during a site inspection of North Slope facilities on March 2, 2017.

Alaska LNG Has Several Competitive Advantages:

Proven Gas Resources and Existing Infrastructure –

Alaska LNG will tap approximately 35 trillion cubic feet (Tcf) of proven, conventional gas resources on Alaska's North Slope and has the potential to access an additional 200 Tcf. Gas sources in Prudhoe Bay and Point Thomson already have infrastructure, large-scale production facilities, and a qualified workforce.

Market Proximity and Arctic Climate –

Strategically located in the North Pacific, Alaska's proximity to the key growth markets for LNG offers significant shipping advantages. Alaska's colder climate allows liquefaction plants to produce LNG more efficiently than in warmer locations.

Stable and Reliable Supply –

Alaska is home to the first LNG export facility in North America and has reliably served the Asia market since exports began in 1969, delivering over 1,300 shipments to Japan.





U.S. President Donald Trump and Vietnam President Trần Đại Quang witness the signing of a Memorandum of Understanding by AGDC President Keith Meyer and PetroVietnam Gas President and CEO Duong Manh Son at the Presidential Palace in Hanoi, Vietnam, on November 12, 2017.

2017 Year in Review

2017 was a significant year for AGDC as we achieved many major milestones and entered into several key commercial agreements – all of which will help move Alaska LNG forward in 2018.

On the regulatory front, highlights of 2017 included filing AGDC's application to obtain a Natural Gas Act Section 3 permit with FERC for Alaska LNG, obtaining tax-exempt status from the Internal Revenue Service, certification under Title 41 of the Fixing America's Surface Transportation (FAST-41) Act as a 'covered project,' as well as overcoming additional regulatory hurdles.

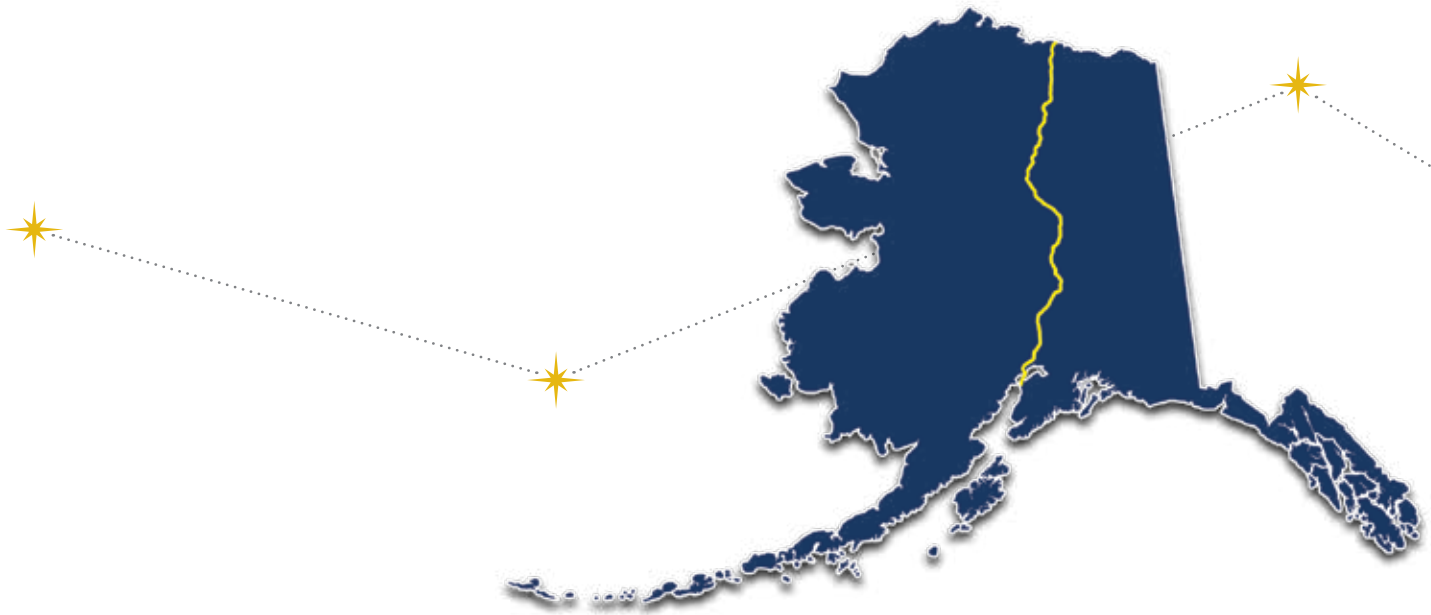
On the commercial front, we made huge strides, signing an MOU with KOGAS in June, followed by our landmark Joint Development Agreement with China Petrochemical Corporation (Sinopec), CIC Capital Corporation (CIC Capital), and Bank of China in November. Shortly thereafter, we signed an MOU with PetroVietnam Gas and an LOI with Tokyo Gas Co., Ltd.



U.S. Vice President Mike Pence discusses Alaska LNG with AGDC President Keith Meyer and Alaska Governor Bill Walker (not pictured).

2017 Highlights:

- * *January: AGDC opens satellite offices in Tokyo, Japan and Houston, Texas.*
- * *January 23: AGDC and BP enter into a Cooperation Agreement to collaborate in the development of the financial and tolling structure to advance Alaska LNG and cooperate on FERC regulatory activities.*
- * *March 1-6: AGDC hosts summit to showcase Alaska LNG to potential LNG buyers and investors. Corporate sponsors underwrite the event's cost.*
- * *April 7: The President of the People's Republic of China, His Excellency Xi Jinping, meets with Governor Walker and AGDC President Keith Meyer in Anchorage.*
- * *April 17: AGDC files an application to obtain a Natural Gas Act Section 3 permit with FERC for Alaska LNG.*
- * *May 12: U.S. Vice President Mike Pence meets with Governor Walker and AGDC President Keith Meyer in Anchorage.*
- * *June 8: AGDC attends invitation-only White House Infrastructure Summit and presents Alaska LNG to the Trump administration as an opportunity to advance America's energy exports.*
- * *June 15-August 31: AGDC secures foundation customer status on the Alaska LNG system through an open season process.*
- * *August 8: The U.S. Internal Revenue Service designates AGDC as a tax-exempt political subdivision of the State of Alaska.*
- * *June 28: AGDC signs an MOU with KOGAS in Washington, D.C.*
- * *August 15: U.S. President Donald Trump signs an Executive Order establishing discipline and accountability in the environmental review and permitting process for infrastructure projects.*
- * *August 18: The Federal Permitting Improvement Steering Council grants "covered project" status to Alaska LNG under FAST-41.*
- * *November 9: AGDC, the State of Alaska, China Petrochemical Corporation (Sinopec), CIC Capital Corporation (CIC Capital), and Bank of China, sign a Joint Development Agreement to advance Alaska LNG.*
- * *November 11: AGDC signs an MOU with PetroVietnam Gas in Hanoi, Vietnam.*
- * *December 4: AGDC signs an LOI with Tokyo Gas Co., Ltd. in Tokyo, Japan.*



Alaska LNG: North to the Future

Alaska's Natural Gas Infrastructure & LNG Export Project

Alaska holds America's largest proven, conventional, but stranded natural gas supply. Through the development of a pipeline and liquefaction facility, Alaska can provide a stable source of LNG to the Asia-Pacific region for generations.

AGDC is an independent, public corporation owned by the State of Alaska. AGDC has been given oversight and delegation authority to expedite development of Alaska LNG.

Alaska LNG is an integrated gas infrastructure project with three major components: a gas treatment plant located at Prudhoe Bay, an 807-mile (1,287 km) pipeline to Southcentral Alaska with offtakes for in-state use, and a natural gas liquefaction plant in Nikiski, Alaska. The Prudhoe Bay and Point Thomson fields will provide the initial supply base with over 35 Tcf of proven gas. The two fields will have an average daily delivery capacity of 3.5 billion cubic feet (Bcf) of gas per day with approximately 75 percent from the Prudhoe Bay field and 25 percent from the Point Thomson field. This natural gas supply is more than enough to satisfy in-state demand and supply LNG exports.

Alaska LNG has been thoroughly studied and analyzed, with over one million man hours invested in pre-Front-End Engineering and Design (pre-FEED), more than 193,000 acres mapped, over 300 streams surveyed, thousands of boreholes researched along the proposed route, and more than 60,000 pages submitted to FERC. The U.S. Department of Energy has conditionally approved an application for the project to export up to 20 million tonnes of Alaska-produced LNG per year for a 30-year period to Free Trade Agreement (FTA) and non-FTA nations. AGDC expects to deliver first cargos in 2024-2025.



Alaska is strategically located on a key maritime shipping lane to Asia. Alaska can deliver bountiful resources directly to Asian customer's without complicated canal transits, third country involvement, or difficult marine crossings.

What is Alaska LNG?



Gas Treatment Plant

The Gas Treatment Plant (GTP) will be located in Prudhoe Bay alongside existing gas infrastructure. The GTP will remove Carbon Dioxide (CO₂) that is produced with the natural gas to provide high-quality, clean natural gas to the Alaska Gasline.

Alaska Gasline

The 807-mile-long Alaska Gasline will be a buried 42-inch pipeline with eight compressor stations. The Alaska Gasline will provide natural gas to Alaska communities, resource development projects, and the LNG Facility.

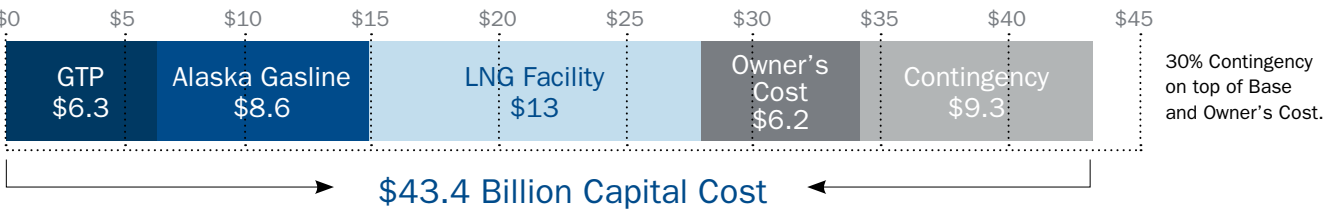
LNG Facility

The LNG Facility will be constructed in Nikiski with up to three production trains with the capacity to export 20 million tonnes per annum of LNG.

LNG Carriers

A fleet of LNG carriers will transport the superchilled LNG to markets in Asia.

Alaska LNG – total Project Cost



Alaska's North Slope

Stranded Gas Resource

Alaska's hydrocarbon-rich North Slope is home to four of the United States' top 10 conventional producing oil fields, including Prudhoe Bay, the largest field in North America. The vast majority of Alaska's proven natural gas resources are located on the North Slope including the well-known Prudhoe Bay and Point Thomson fields. In addition to large quantities of proven and potential conventional resources, the area holds vast amounts of unconventional gas including methane hydrates.

Oil production began on the North Slope in 1977 and continues today with infrastructure and large-scale production facilities in place. According to the Bureau of Ocean Energy Management, approximately 35 Tcf of natural gas is waiting in the Prudhoe Bay and Point Thomson fields, with an additional potential 200 Tcf of conventional gas resources. Lacking access to a commercial market, the gas is currently stranded.

The Alaska LNG project will produce approximately 3.5 billion cubic feet (Bcf) of natural gas per day for in-state use and export.

Photo provided by Doyon Limited.



Doyon Limited's Rig 142 is a highly mobile drilling rig with a state-of-the-art Integrated Drilling Control System capable of working efficiently in extreme Arctic conditions. The rig is an example of the high-level technology of infrastructure currently employed on Alaska's North Slope.

“The standout accomplishment of 2017 was our April 17 application filing to obtain a Natural Gas Act Section 3 permit with the Federal Energy Regulatory Commission (FERC) for Alaska LNG.”

— Frank Richards



Sinopec and Bank of China representatives with AGDC and State of Alaska officials in front of Doyon Rig 25 during a site inspection of North Slope oil and gas facilities on July 21, 2017.

Noteworthy 2017 Accomplishments:

- ✦ *Completion of a zero-based engineering review of the Alaska LNG project – an important cost-saving measure to consider options to reduce overall total installed cost.*
- ✦ *Revision of the construction execution plan to reflect cost-saving opportunities.*
- ✦ *Review of best-country-sourcing for project equipment and materials increases certainty of meeting construction deadlines and financial performance metrics.*
- ✦ *Submission of major permit applications with federal agencies, including the Pipeline and Hazardous Materials Safety Administration (PHMSA), U.S. Army Corps of Engineers, Bureau of Land Management, and the National Marine Fisheries Service.*
- ✦ *Responding to numerous FERC data requests.*
- ✦ *Receiving acceptance for Alaska LNG as a FAST-41 national project.*



Regulatory Update

Frank Richards, Senior Vice President

AGDC's technical team made significant progress in 2017 on the Alaska LNG project and the Alaska Stand Alone Pipeline (ASAP) project, and will capitalize on our momentum to advance environmental permitting, engineering, and FEED preparation in 2018.

AGDC filed a Natural Gas Act Section 3 permit application with FERC in April 2017 to initiate the NEPA process for the Alaska LNG project. Advancing the environmental process will lower the project's risk, a critical consideration for investors.

Timely issue identification and communication has allowed our multi-disciplinary team to minimize project impacts and maximize work completed on the ASAP project alignment in support of the Alaska LNG project. Because the Alaska LNG pipeline will run along the same alignment as the ASAP project, we asked FERC to allow the state to leverage the work completed for the ASAP project in support of the NEPA process for the Alaska LNG project.

The environmental and engineering teams continue to make progress toward obtaining major federal and state permits needed for the Alaska LNG project. Completion of the ASAP Supplemental Environmental Impact Statement (SEIS) further supports Alaska LNG project efforts. Initiated more than 3 years ago, a final Record of Decision for the ASAP SEIS is expected in March 2018.

The Alaska LNG project is key to Alaska's future economic vitality. The state is on the cusp of the biggest period of resource infrastructure development since the Trans-Alaska Pipeline System project.

2018 Objectives:

- ✦ *Launching FEED and Lump Sum Turnkey (LSTK) contracts for Alaska LNG to achieve a final investment decision in 2019.*
- ✦ *Refining cost estimates to maintain public and potential investor confidence.*
- ✦ *Launching pipe metallurgy and testing program to ensure materials selected provide the integrity, safety, and longevity required for the project.*
- ✦ *Submitting permit applications with state regulatory agencies.*
- ✦ *Working to progress the Alaska LNG EIS, once initiated by FERC.*
- ✦ *Selecting a Project Management Consultant (PMC) firm to augment and enhance our project management team's multi-disciplinary project oversight.*

Engineering Update

Fritz Krusen, Vice President of LNG & Administrative Services

Throughout 2017, AGDC continued to build on the tremendous volume of work accomplished by earlier efforts as we refined designs and execution plans for the gas treatment plant, pipeline, and liquefaction facility. We achieved a key goal submitting an application to obtain a Natural Gas Act Section 3 permit with FERC for Alaska LNG. We also advanced Alaska LNG in the commercial arena by actively marketing the project for the first time ever to potential LNG buyers and investors. We are excited about the progress AGDC has made over the past year and believe this is the year we will take Alaska LNG to the next level in the regulatory and commercial processes for three primary reasons: the project is needed, competitive, and achievable.

Alaska LNG is needed today more than ever to meet the state's economic, budgetary, environmental, and energy needs. Economic impact studies indicate the project will benefit Alaskans through royalties and jobs, and provide low-cost, clean energy to help stimulate economic activity throughout the state. The project will create up to 12,000 jobs during construction and approximately 1,000 jobs during operation. Numerous opportunities will arise for Alaskan businesses and contractors.

Alaska LNG is competitive. The cost to build the project is comparable to other similarly sized endeavors around the world. Alaska LNG offers several distinct advantages. Alaska's North Slope contains 35 Tcf of proven natural gas, with another 200 Tcf of natural gas likely to be found in the region. Existing North Slope infrastructure and workforce provides the platform on which to build Alaska LNG. Alaska's close proximity and direct shipping routes to the world's largest LNG markets reduce shipping times and delay risks. Price volatility is reduced because Alaska LNG is not connected to the domestic U.S. natural gas pipeline network so there is no risk of export limits being imposed due to domestic demand because Alaska's gas is a "stranded" resource.

Alaska LNG is achievable. Alaskans have built similarly sized projects before. Specifically, the Trans-Alaska Pipeline System, which shares many characteristics with Alaska LNG such as pipe length and diameter as well as construction in Arctic conditions. Though Alaska LNG is undoubtedly a significant undertaking, it is by no means the longest, largest, or most expensive natural gas infrastructure ever built. Working together, Alaskans have what it takes to build Alaska LNG and bring Alaska's vast natural gas resources to market.

As we head into 2018, I am eager to carry the project's momentum forward so Alaska LNG can begin delivering natural gas to the world.



AGDC Vice President of LNG Fritz Krusen addresses technical staff at Sinopec headquarters in Beijing on September 5, 2017.

“I am eager to carry the project’s momentum forward so Alaska LNG can begin delivering natural gas to the world.”

— Fritz Krusen

“Alaskans support Alaska LNG because of the jobs it will create, its positive effect on Alaska’s economy, and the much needed boost in revenue the project will bring to the state.”

— Rosetta Alcantra



AGDC Vice President of Communications Rosetta Alcantra with young attendees at the AGDC booth during the Alaska Federation of Natives (AFN) Annual Convention in Anchorage, Alaska, on October 20, 2017.



Community Outreach Update

Rosetta Alcantra, Vice President of Communications

In 2017, Alaska LNG kept its most important stakeholders, Alaskans, informed about the project's progress through speaking engagements and local events statewide, where we provided updates on the project's progress.

AGDC presented Alaska LNG and the project's immense potential at more than 40 public events ranging from Rotary Club meetings, local and statewide chambers of commerce, the Alaska State Fair, and the Alaska Federation of Natives.

AGDC also hosted 12 meetings in communities that will be most directly affected by the gasline, including opportunities to speak directly with AGDC technical and commercial staff.

The vast majority of Alaskans we spoke with over the past year shared a common message — Alaska LNG is needed now more than ever. In our discussions, Alaskans told us they support Alaska LNG because of the jobs it will create, its positive effect on Alaska's economy, and the much needed boost to state revenue. Residents of Interior communities made it clear they want reliable, affordable, clean, natural gas for their own use and they want it soon.

Over the past year, since taking the lead of Alaska LNG, AGDC has significantly increased transparency and the level of detail being provided on the project. This has been done through a semi-monthly report prepared for the Alaska Legislature, Office of the Governor, and congressional delegation. A wide range of presentations, press releases, and other information is posted on AGDC's website and available to the public.

In 2018, AGDC will continue to focus on providing detailed information to the public and enhancing our community outreach efforts throughout Alaska. We will continue to be diligent in communicating with the public and policy leaders, issuing quarterly reports which Alaskans can review or request via our website, agdc.us. We will also provide ongoing written updates and provide briefings to the Legislature.

Recently, we launched a Facebook page and encourage the public to follow us online. We often post breaking news on our Facebook page first. We appreciate the engagement of Alaskans who follow us.

Commercial Update

Lieza Wilcox, Vice President of Commercial

2017 was a banner year as we saw significant progress on Alaska LNG agreements with significant prospective LNG customers.

The energy world took note of the Joint Development Agreement (JDA) we signed in November with Sinopec and other parties in China. The JDA with AGDC, the State of Alaska, China Petrochemical Corporation (Sinopec), CIC Capital Corporation (CIC Capital), and Bank of China, is the foundational commercial agreement to advance Alaska LNG. This JDA showed the world that Alaska LNG is viable and we are serious about moving the project forward.

Shortly after this agreement, we signed an MOU with PetroVietnam Gas, followed by an LOI with Tokyo Gas Co., Ltd. In the summer of 2017, we signed an MOU with KOGAS. Additionally, we signed LOIs with seven other potential LNG buyers in various countries across the Asia-Pacific region.

The agreements Alaska LNG signed contain terms showing the intent of the parties to move forward with more detailed negotiations in 2018, ultimately leading to contracts underpinning project construction.

I am excited about the progress made over the past year and look forward to carrying our momentum into 2018 as we advance toward definitive commercial agreements.

Other Notable Events in 2017:

- * *Conducted the Alaska LNG Summit, financed entirely through Alaska corporate sponsorships and attended by representatives of 14 LNG buyers, trading companies, and investors.*
- * *Coordinated multiple site visits to Alaska for prospective LNG buyers to inspect existing oil and gas infrastructure, meet with business and government officials, and learn more about Alaska LNG.*
- * *Concluded the Alaska LNG Foundation Customer Capacity Solicitation.*



AGDC Vice President of Commercial Lieza Wilcox and Tokyo Gas Co., Ltd. Executive Officer Takashi Higo sign a Letter of Intent in Tokyo, Japan, on December 4, 2017.

“AGDC formalized potential partnerships through Memoranda of Understanding, Letters of Intent, and a Joint Development Agreement with world-class LNG buyers across the Asia-Pacific region in 2017, setting the stage for reaching mutually beneficial, definitive agreements in 2018.”

— Lieza Wilcox

- * *Promoted Alaska LNG as a strategic opportunity for sovereign governments to invest, reduce trade imbalances, and secure long-term LNG supplies at meetings with world leaders including United States President Donald Trump, People's Republic of China President Xi Jinping, and South Korea President Moon Jae-in.*
- * *Opened satellite offices in Tokyo, Japan and Houston, Texas.*
- * *Presented the shipping, reliability, and price stability advantages of Alaska LNG at key industry trade shows throughout the U.S. and Asia-Pacific region.*



AGDC President Keith Meyer, third from the left, participates in a working group chaired by U.S. Secretary of Commerce Wilbur Ross (left) during a White House Infrastructure Summit in Washington, D.C., on June 8, 2017.



Alaska Governor Bill Walker and AGDC President Keith Meyer flank U.S. Secretary of Commerce Wilbur Ross (center) during the 2017 U.S. CEO Deletion to China trade mission in Beijing, China, on November 8, 2017.



2017 Financial Highlights

AGDC oversees two funds from which it finances operations and activities related to the Alaska LNG and ASAP projects.

- * The In-State Natural Gas Pipeline Fund (AS 31.25.100), established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of an in-state natural gas pipeline project.*
- * The Alaska Liquefied Natural Gas Project Fund (AS 31.25.110), established in 2014 to fund state expenditures associated with an Alaska LNG pipeline project including developing infrastructure and services related to transportation, liquefaction, marine terminal, marketing, and commercial support. AGDC used the fund in 2016 to make the 25% equity contributions to the Alaska LNG export project.*

AGDC has contracted the State of Alaska's Department of Revenue to manage short-term investment of both funds. AGDC is authorized to spend money out of the funds as expenditures occur without further appropriation. AGDC has established Reimbursable Service Agreements with other state agencies which perform project-related activities. AGDC has instituted internal procedures to account separately for and allocate project and corporate expenditures to the appropriate fund.

Appropriation and Fund Tracking

For the fiscal year ending June 30, 2017 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Beginning Balance	\$ 28,570	\$ 99,443	\$ 128,013
Appropriation	—	—	—
Interest, Investment Income & Retirement Funding	230	424	654
Expenditures	(10,346)	(35,805)	(46,151)
Ending Balance	\$ 18,454	\$ 64,062	\$ 82,516

For the fiscal year ending June 30, 2016 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Beginning Balance	\$ 61,774	\$ 45,958	\$ 107,732
Appropriation	(15,682)	173,047	157,365
Interest, Investment Income & Retirement Funding	511	563	1,074
Expenditures	(18,033)	(120,125)	(138,158)
Ending Balance	\$ 28,570	\$ 99,443	\$ 128,013

For the fiscal year ending June 30, 2015 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Starting Balance as Restated*	\$ 301,749	\$ 68,822	\$ 370,571
Appropriation**	(166,000)	–	(166,000)
Interest, Investment Income & Retirement Funding	1,437	253	1,690
Expenditures	(75,412)	(23,117))	(98,529)
Ending Balance	\$ 61,774	\$ 45,958	\$ 107,732

*Restatement due to implementation of Governmental Accounting Standards Board, Statement Number 68

**Subsequent event required to be reflected in Fiscal Year 2015

For the fiscal year ending June 30, 2014 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Starting Balance	\$ 17,184	\$ –	\$ 17,184
Appropriation	355,000	69,835	424,835
Interest, Investment Income & Retirement Funding	2,304	39	2,343
Expenditures	(72,799)	(1,052)	(73,851)
Ending Balance	\$ 301,689	\$ 68,822	\$ 370,511

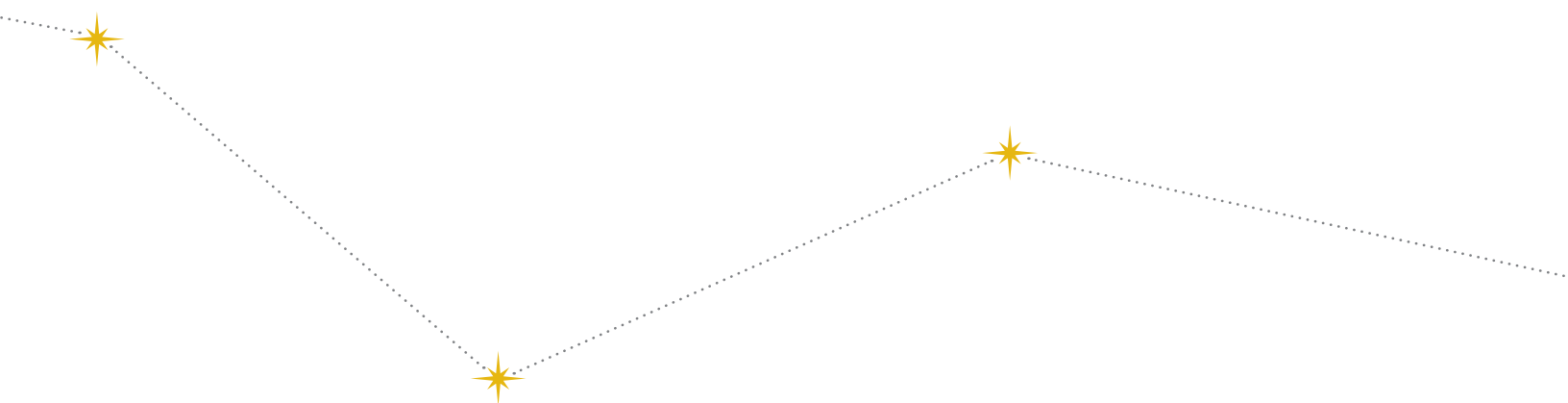
For the fiscal year ending June 30, 2013 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Starting Balance	\$ 849	\$ –	\$ 849
Appropriation	32,663	–	32,663
Interest, Investment Income & Retirement Funding	140	–	140
Expenditures	(16,468)	–	(16,468)
Ending Balance	\$ 17,184	\$ –	\$ 17,184

Statement of Net Position

For the fiscal year ending June 30, 2017 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Assets			
Cash and Investments	\$ 27,291	\$ 63,570	\$ 90,861
Prepaid Expenses & other assets	953	—	953
Equipment, Net of Depreciation	40	—	40
Total Assets	\$ 28,284	\$ 63,570	\$ 91,854
Deferred Outflows	\$ 2,410	\$ —	\$ 2,410
Liabilities			
Accrued Payables	\$ 3,933	\$ —	\$ 3,933
Accrued Compensated Absences	371	—	371
Due to/from other AGDC Funds	492	(492)	—
Net Pension Liability	7,362	—	7,362
Total Liabilities	\$ 12,158	\$ (492)	\$ 11,666
Deferred Inflows	\$ 82	\$ —	\$ 82
Net Position			
Total Net Position	\$ 18,454	\$ 64,062	\$ 82,516



Statement of Activities

For the fiscal year ending June 30, 2017 (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Revenues			
Revenues from the State of Alaska	\$ —	\$ —	\$ —
Investment and Interest Income	105	424	529
Retirement Funding State of Alaska	125	—	125
Total Revenues	\$ 230	\$ 424	\$ 654
Expenditures			
Contractual Services	\$ 4,060	\$ 31,254	\$ 35,314
Personnel	4,897	3,265	8,162
Office and Supplies	873	1,021	1,894
Travel	163	166	329
Retirement Funding State of Alaska	125	—	125
Depreciation	183	67	250
Insurance	37	25	62
Other Services	4	4	8
Advertising	4	3	7
Restricted funds transfer	—	—	—
Total Expenditures	\$ 10,346	\$ 35,805	\$ 46,151
Change in Net Position	\$ (10,116)	\$ (35,381)	\$ (45,497)
Fund Balance			
Beginning of Year Balance	28,570	99,443	128,013
End of Year Balance	\$ 18,454	\$ 64,062	\$ 82,516
Restricted	—	—	—
Unrestricted	18,454	64,062	82,516
Total	\$ 18,454	\$ 64,062	\$ 82,516



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