

President's Report

Frank Richards, President
June 22, 2021



Keeping a clean and tidy workspace not only makes working more enjoyable, but it also helps keep sensitive information secure. Make sure confidential or private information is kept safe by practicing the 6 following tips:

- 1) Keep your workstation tidy and uncluttered
- 2) Lock your computer screen before leaving your desk
- 3) Lock important and confidential documents in your desk or file cabinets
- 4) Never keep password written down in your office or workstation
- 5) Shred confidential documents you no longer need or use
- 6) Keep portable hard drives and flash drives secured, not just laying on your desk



- Full-time staff returned to working in their offices - June 1, 2021
- Office Re-Occupancy and Covid-19 Mitigation Procedures have been updated with current office safety precautions
 - On-site precautions remain
 - Pre-shift screening
 - Protocols for illness onset while on-site
 - Guests asked screening questions prior to entry
- Next Steps
 - Continued monitoring of Municipality of Anchorage, State of Alaska DHSS, and CDC for mandates, recommendations, and advisories
 - Appropriate protocols (lessons learned) being incorporated into Safety Manual

Venture Development

- Nick Szymoniak is the new Venture Development Lead

Legal Counsel

- Holland & Hart continues to provide General Counsel services
- Department of Law continues to provide Alaska LNG Project legal services and contracts

- Finalized Strategic Plan Revision 1
- Seeking federal funding for Phase One as part of Infrastructure Package
- Advancing development agreements with Strategic Parties and discussing participation with interested entities
- Finalized LLC Agreement revision and update for 8-Star Alaska, LLC
- Monitoring LNG market actions and trends
- Addressing cultural resource obligations
- Presented updates to Senate and House Resources Committees

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as of May 31, 2021 Unaudited

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FY22 Operating & Capital Budget Update

- FY22 Operating Budget
 - \$3,081,600 authorization
 - 10% reduction from FY21
 - Authorizes use of funds from Alaska LNG Project Fund
 - Covers personnel, office rent, utilities, contracts and travel
 - No new appropriation needed
 - Future funding sources
 - Statutory Designated Program Receipts
 - \$50,000,000 (private sector funds)
 - Federal Receipt Authority
 - Economic Stimulus/Infrastructure Funds
- Special Session Update

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	Frank Richards
1D	Key Alaska Stakeholder Communication Program	Ongoing	Frank Richards
1E	Execute Pre-Development Work Scope	Ongoing	Brad Chastain
1F	Negotiate & Finalize the PDA with Pipeline Lead Party	6/30/2021	Nick Szymoniak
1G	Submit FY22 AFE (Phase One Pipeline) for Board approval	6/30/2021	COMPLETE
1H	Approve PDA for Execution	7/15/2021	Board of Directors
1I	Receive Federal Infrastructure Funding	9/30/2021	Frank Richards
1J	Provide Notice to Proceed to Pipeline Lead Party	10/15/2021	Frank Richards
1K	Transition to the Pipeline Lead Party in 8 Star Alaska, LLC	12/31/2021	Brad Chastain
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	Lisa Haas
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	Nick Szymoniak
3B	Outline all development agreements with Strategic Parties and assign responsibilities for creation and completion	6/30/2021	Nick Szymoniak
3C	Finalize Equity Structure & Participation Model	6/30/2021	Nick Szymoniak
3D	Identify Commercial Requirements to Enable a FEED Sanction Decision	4/30/2021	Nick Szymoniak
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	Nick Szymoniak
3G	Develop and maintain a risk register that identifies risks to be allocated in the PDAs and supporting agreements	12/31/2021	Nick Szymoniak
3H	Contract to update Wood Mack evaluation of the 2016 economic viability of the Project	4/1/2021	Nick Szymoniak
3I	Develop a Project timeline that establishes a reasonable schedule for a FEED stage gate, FID, and COD	6/30/2021	Brad Chastain
3J	Submit FY22 AFE (Full Project Venture) for Board approval	6/30/2021	Frank Richards
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	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)

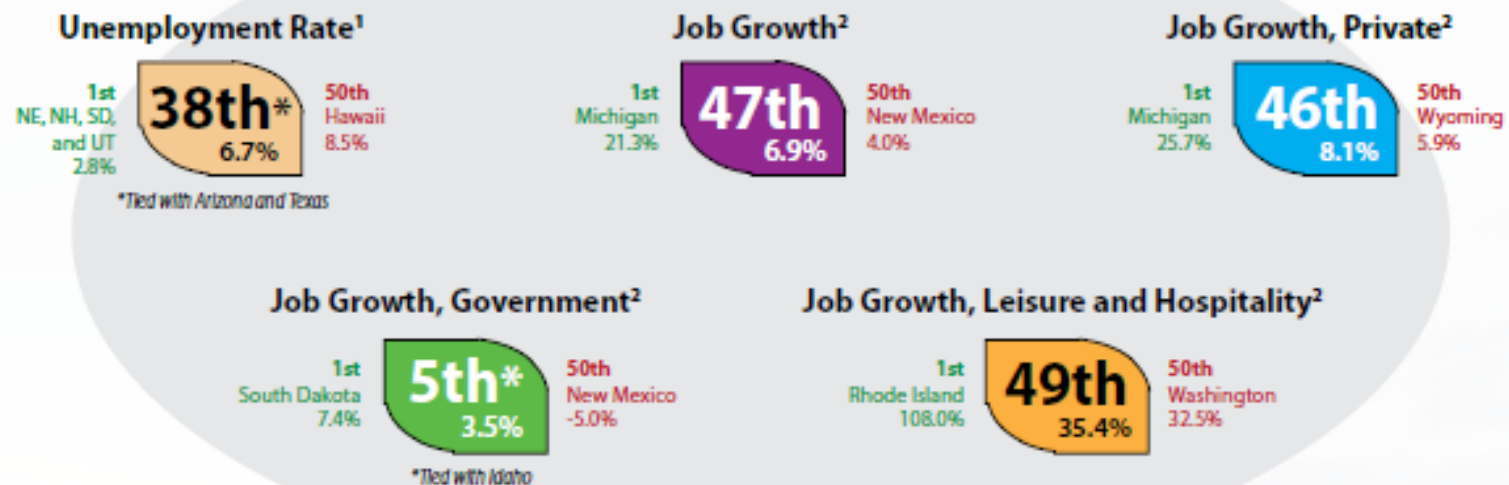
AGDC STRATEGIC PLAN 2021/2022 TACTICAL ACTION PLAN SCORECARD

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	Nick Szymoniak
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

Alaska LNG Phase One & Pipeline Lead Party Update



How Alaska Ranks



Note: Government employment includes federal, state, and local government plus public schools and universities.

¹April seasonally adjusted unemployment rates

²April employment, over-the-year percent change

Sources: U.S. Bureau of Labor Statistics and Alaska Department of Labor and Workforce Development, Research and Analysis Section

- Alaska key stakeholders outreach
 - Boroughs
 - Cities
 - Chamber of Commerce
 - Organizations
- Governor's office and administration
- Alaska Delegation and staff
- Congressional leadership
- Biden Administration
- Point Thomson Unit (PTU) technical interface

- Confidential Letter of Intent (LOI) signed
- Project Development Agreement (PDA) negotiations underway
- “Pre-Notice Works” underway, including:
 - Continued review of Alaska LNG Phase One scope
 - Contracting strategy for FEED
 - Early works strategy & planning
 - Performed at Pipeline Lead Party expense
- “Post-Notice Work” based on availability of Federal infrastructure funds:
 - Early works Invitation to Bid (ITB)
 - Line survey & integrated environmental fieldwork
 - Material site development
 - FEED ITB

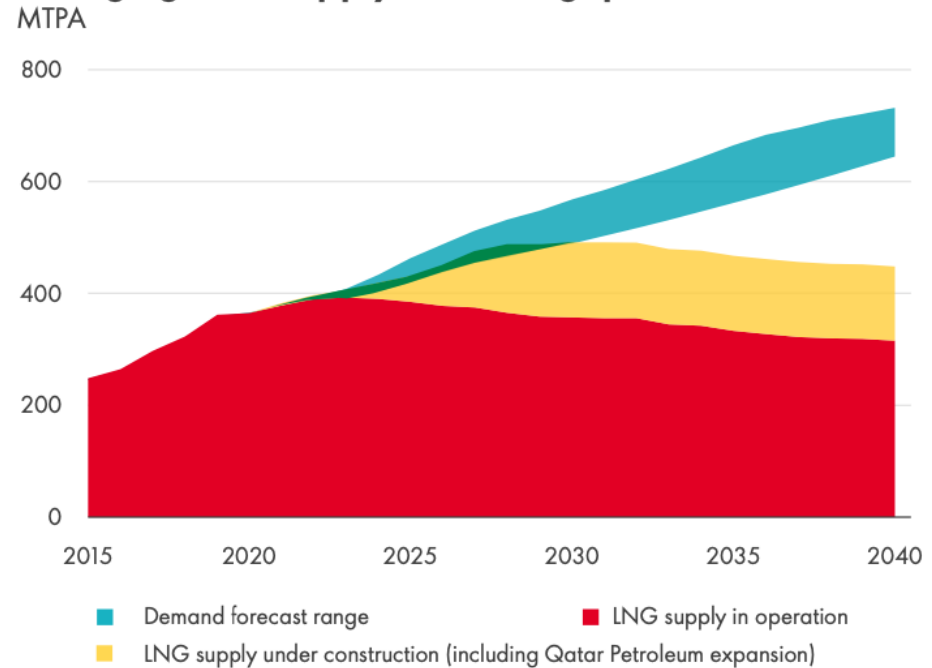
Venture Development Update



- Spot Price recovery in the first half of 2021
 - After spikes in January, price settle into high single digits during spring
 - Now trading in the \$10 range, highest summer price in the last seven years
 - Futures market indicate \$10+ LNG through spring 2022
- *China is effectively driving the spot market for LNG in Asia this year, with its appetite being reflected in strong prices for cargoes in what is typically the softer period between the winter and summer demand peaks. (Reuters 5/25/21)*
- Qatar Petroleum's (QP) North Field expansion is reportedly being marketed at relatively low prices and could result in general downward pressure on the market for long term contracts
- *The firm [QP] has sold LNG in recent months at around 10% of Brent crude prices, including to China and Pakistan, whereas it used to set the level at 15%. (gCapitan 5/21/24)*

- Shell released its LNG Market Outlook in February 2021
- Key highlights/themes:
 - LNG has an important role to play in a decarbonizing market
 - Significant demand/supply gap opening beginning in 2030
 - Asia will continue to drive LNG demand growth in coming decades
 - Long-term contracts will continue to make up majority of LNG sales

Emerging LNG supply-demand gap



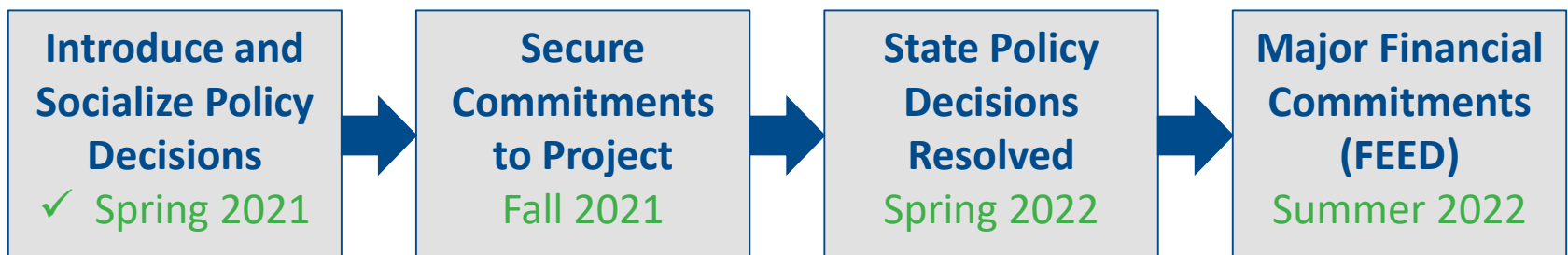
Strategic objective is to advance the project to FEED entry

The following need to occur:

- Secure LNG plant lead
- Resolve State of Alaska property tax and fiscal issues
- Develop and execute necessary agreements to secure balance sheet commitments

- Develop Confidential Information Memorandum (CIM)
 - Collaborate with advisors and Strategic Parties (June 2021)
 - Critique by friendly audiences to refine CIM and presentation (July 2021)
 - Develop teaser pack with non-confidential information
- Road Show to Identify Optimal LNG Lead Party (Aug-Sept 2021)
 - Target IOCs, LNG developers, and infrastructure investors
 - Utilize Strategic Party contacts and business relationships to hold meetings at the highest level of target organizations
- Negotiate with Identified LNG Lead Party
 - Join Strategic Party group (October 2021)
 - Preliminary agreement to take LNG lead party role (End of Year 2021)
 - FEED-entry agreements (First half 2022)

- AGDC will lead Alaska LNG's interface with State of Alaska policy makers
 - Property tax/PILT
 - Fiscal Stability
 - State of Alaska level of investment (can be determined post-FEED entrance)
- State engagement on commercial issues will follow project finance sequences
 - Expect preliminary commercial commitments prior to state policy changes
 - State policy decisions are required before major financial commitments in the project
- AGDC expects a dynamic process that incorporates feedback from investors, the LNG market, lawmakers, AGDC Board, and Alaskans



- Balance sheet commitments from private parties are needed to support entry into FEED and, ultimately, a Final Investment Decision
- Balance sheet commitments will come from a combination of
 - Producers
 - Project component owners
 - LNG buyers and tolling customers
- The degree of balance sheet commitments necessary to enter FEED need to be negotiated and will be dependent on a number of items
 - LNG market dynamics
 - Risk tolerance of lead parties
 - LNG customer commitment level and quantity of LNG committed
- The lower the degree of balance sheet commitment needed, the easier it will be to enter into FEED
 - Will only be established after identifying the LNG lead party and additional negotiations among other lead parties and investors

- Gas Supply
 - **Low Priority:** Counter parties are known and support project
- GTP Lead
 - **Medium Priority:** Lead party identified but do not have any formal commitment
- Pipeline
 - **Low Priority:** Lead Party is under agreement (note: PDA is high priority under federal funding scenario)
- LNG Plant
 - **High Priority:** Commitment of lead party is needed before most other agreements needed for FEED-entrance can be advanced
- LNG Buyers
 - **Medium Priority:** Further commitments from LNG buyers may be valuable to the extent they help bring in an LNG lead party

Technical Update

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- Accomplishments
 - DNR conditional ROW leases issued
 - NMFS marine mammal permit for West Dock expansion
 - Polar Bear multi-year permit published in Federal Register
- Current Ongoing Permit/Approval Work
 - ADEC air permit for liquefaction facility
 - Cultural Resources Management Plan (CRMP)
 - Updated draft to address agency input
 - Annual cultural resources work plans and reports will be produced
 - Target completion by end of June 2021
- Legal challenge responses/preparation
 - DOE is conducting two project-specific environmental studies
 - DOE and FERC have requested the Sierra Club/CBD petitions for review be put on hold until DOE studies are complete
- Compliance Assurance Work Program
 - 564 FERC responses plus permits reviewed to identify compliance obligations

Accomplishments

- Pipeline Team Site
- Phase One Alignment Sheets: Point Thompson Transmission Line, Mainline, & Fairbanks Lateral
- Workshops with Pipeline Lead Party on permitting & regulatory, material sites, survey scope, lands and right-of-way, contracting & procurement, stakeholder engagement and construction execution review
- Point Thompson Unit technical interface and cost reduction with CO₂ specification
- Hydrogen Study Team

FY22 Authorization for Expenditure (AFE)



- Revision 1 of the Strategic Plan was reviewed by the Board and the President approved the plan effective March 15, 2021
- AGDC's objectives for the Alaska LNG Project in the current Strategic Plan include:
 - Lead the Project development on behalf of Alaska, bring the Project to market and provide overall coordination for the Project through transition to the private sector
 - Secure private sector funds for project development activities
 - Maintain the maximum value of State of Alaska investment in the Project, while minimizing ongoing AGDC spend
 - Pursue Federal infrastructure funding opportunities for an accelerated phase of construction of the Pipeline from the Point Thomson Unit (PTU) to Fairbanks that will be led by a private sector lead party
 - Maintain a common Project Economic Model (Midstream) in association with Strategic Parties and develop an integrated Alaska Total Value Model for use by key stakeholders and policy makers

- The overall AGDC Work Program & Budget (WP&B) for FY22 covers the period between July 1, 2021 through June 30, 2022
- WP&B consists of major AGDC project functions:
 - Venture Development
 - Core Project Management Team (PMT) & Systems
 - Environmental, Regulatory, & Lands (ERL)
- This scope of this AFE is associated with the baseline expenditures to support a Front-End Engineering and Design (FEED) Stage Gate Decision Support Package (DSP)
- Also, programmed contingent AFE costs that would be presented to the Board for approval of a revision to this AFE in the event Federal infrastructure funds are received in FY22

- AFE Summary:
 - AFE covers “Baseline” Alaska LNG Project capital costs for FY22
 - Programmed July 1, 2021 through June 30, 2022
 - Cost for Venture Development, Core PMT & Systems and ERL
 - Total Baseline budget of \$5.249M
 - Also describes “Contingent” scope and cost for an accelerated early works program in the event Federal infrastructure funds are received and Board approves an AFE revision

AGDC staff recommend that the Board approve the FY22 Authorization for Expenditure and direct the AGDC President to continue to advance the Alaska LNG Project.

Board Resolution

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- Approval of the Amended and Restated Limited Liability Company Agreement of 8 Star Alaska, LLC
- Reason for update and restatement:
 - Original LLC agreement from 2018 was in an outdated Member-Managed form
 - LLC Agreement needs to properly reflect AGDC as the one hundred percent (100%) owner of 8 Star Alaska, LLC
 - Needs to reflect a Manager-type governance structure with President appointed Manager of 8 Star Alaska and appropriately reserve Fundamental Decisions about 8 Star Alaska to AGDC's Board as the Member, rather than to the Manager
 - Amended agreement will be subject to negotiation and change when another company desires to become a member of 8 Star Alaska, LLC



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