

Alaska Gasline Development Corporation
Project Name: Alaska LNG Project
AUTHORIZATION FOR EXPENDITURE

X	CAPITAL	EXPENSE
TITLE:	<u>FY25 Alaska LNG Project</u>	AFE # <u>25-001</u>
Start Date:	<u>July 1, 2024</u>	Original Authorization: <u>\$4,797,150</u>
Completion Date:	<u>June 30, 2025</u>	Rev # <u>0</u>
Responsible Manager:	<u>Frank Richards</u>	TOTAL <u>\$4,797,150</u>

Budgeted – Yes/No	Yes		Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
EXPENDITURE FLOW (\$000s):			\$1,200	\$1,200	\$1,200	\$1,197

SUMMARY OF ESTIMATED COSTS (\$000s)	
Items/Description	FY25
(1) Venture Development	\$1,308
(2) Core PMT & Systems	\$2,018
(3) ERL	\$1,471
TOTAL	\$4,797

Justification

The Alaska Gasline Development Corporation (AGDC) is an independent, public corporation of the State of Alaska, with a legal existence separate and distinct from the State of Alaska. AGDC currently has the overall statutory responsibility of developing a project to monetize Alaska's vast North Slope natural gas. AGDC is presently leading the development of the Alaska LNG Project.

AGDC was originally formed to develop the Alaska Stand Alone Pipeline (ASAP) Project in 2010. The ASAP Project was determined to not be economically viable in 2016 under a State of Alaska-led model, and no further work on the ASAP Project has been authorized or is currently planned. In 2018, the Alaska Legislature appropriated the balance of the In-State Gas Fund to the Alaska LNG Fund, effectively

defunding the ASAP Project. AGDC continues to maintain ASAP Project documentation and data for use by the Alaska LNG Project.

An initial AGDC Strategic Plan (Strategic Plan) was developed with the AGDC Board of Directors (Board) in early 2020. The Board approved the initial Strategic Plan on April 9, 2020 (Resolution 2020-02). The Strategic Plan was later updated in subsequent years after strategic planning workshops held with Board members and issued as Revisions 1 and 2.

Update of the Strategic Plan was delayed through the end of 2023 because of due diligence activities and active engagement with prospective Lead Parties who ultimately informed AGDC they would not be moving forward with commercial negotiations. Revision 3 update of the Strategic Plan was approved in March 2024 and covers the period January 1, 2024, through the Fiscal Year (FY) ending June 30, 2025.

Several major accomplishments have been achieved for the Alaska LNG Project since 2020, including:

- Secured major federal and state permits and authorizations for the project.
- Maintained the viability of project documentation, data, systems, and tools for transition to new private sector lead parties.
- Obtained the Notice of Availability of the Alaska LNG Project Final EIS from the Federal Energy Regulatory Commission (FERC) and obtained the Section 3 Order authorizing construction of the project.
- Interfaced with the Legislature to provide Alaska LNG updates and request budget authorizations for the Operating Budget for FY21 through FY23 and for general funds in FY24.
- Completed Project cost reduction studies and an update of the Class 4 Project Cost Estimate.
- Completed an economic assessment review with Strategic Parties using the updated Joint Economic Model and presented an Economic Stage Gate decision support package to the Board indicating that the Project has a potential to deliver LNG to markets at a competitive price.
- Established the 8 Star Alaska, LLC asset structure and transferred Project assets, as directed by the Board.
- Obtained the Final Supplemental EIS from the U.S. Department of Energy (DOE).
- Completed an initial stage gate review with Strategic Parties to identify ongoing interest and alignment with the Project.
- The Board made a positive Strategic Party Stage Gate decision based on Strategic Party interest and participation (Resolution 2021-01).
- Identified a world-class pipeline company to lead the pipeline subproject.
- Successfully supported defense of the Alaska LNG FERC authorization from third-party litigation against FERC.
- Continued to defend the Alaska LNG Export permits from third-party litigation against the DOE.
- Completed a comprehensive greenhouse gas lifecycle analysis for Alaska LNG including upstream and downstream emissions.

- Developed compliance management system to identify and track legal obligations.
- Facilitated an update of the third-party competitiveness analysis and cost of supply for the Project.
- Developed an economic decision model representing total Alaska take resulting from Alaska LNG.
- Initiated a hydrogen transition plan to represent futureproofing of Alaska LNG in the emerging clean energy transition.
- Developed a Phase 1 concept for initial delivery of North Slope natural gas to Alaskans through the Mainline Pipeline prior to completing the full Alaska LNG Project and LNG exports.

The current revision of the Strategic Plan (Rev. 3) addresses strategic planning elements and the tactical actions necessary to reach AGDC's objectives. AGDC's objectives for the Alaska LNG Project include:

1. Pursue Phase 1 of the Alaska LNG Project, which will accelerate construction of the pipeline.
2. Lead the overall project development by securing LNG offtake agreements and private sector funds for project development activities under 8 Star Alaska LLC.
3. Develop and sign project development agreements with Lead Parties to advance the Project through Front-End Engineering Design (FEED) to Final Investment Decision (FID).
4. Achieve the maximum benefit from the Project to Alaskans, while minimizing ongoing AGDC spend.
5. Maintain a common Project Economic Model in association with Strategic Parties and validate the integrated Alaska Total Value Model with the Alaska Department of Natural Resources and Alaska Department of Revenue and inform key stakeholders and policy makers.
6. Maintain and defend existing permits and authorizations required for Project completion.

The overall AGDC Work Program & Budget (WP&B) for FY25 covers the period between July 1, 2024, through June 30, 2025. The WP&B consists of major functions around (1) Venture Development; (2) Core Project Management Team (PMT) and Systems; and (3) Environmental, Regulatory, and Lands (ERL).

Operational expenditure for AGDC corporate operations was approved by the Board for FY25 prior to this Authorization for Expenditure (AFE) request and was included in the Governor of Alaska's FY25 budget passed by the Legislature. This scope of this AFE is associated with the baseline capital expenditures for the Alaska LNG Project outside of corporate operations.

(1) Scope of Work

1.1 – Venture Development

Primary Budget Items:

1. Contractors (Embedded Staff)
2. Contractors (Policy Support)
3. Contractors (Market Investment/Outreach)
4. Contractors (Third Party Analysis)

5. Legal Support
6. Other Direct Costs

Contractors (Embedded Staff)

Venture development activities will continue to be the responsibility of the AGDC Venture Lead with a primary focus on aligning the Alaska LNG Strategic Parties, attracting third party capital through Investors, and eventually transitioning the Project to third-party majority ownership through divesting the State of Alaska's equity in 8 Star Alaska, LLC. The core objective of these Strategic Party and Investor alignment activities will be to identify an LNG Lead Party and obtain the commercial commitments by the Strategic Parties/Investors sufficient to underpin funding FEED and reaching FID.

AGDC embedded staff will advance commercial alignment with the Strategic Parties/Investors through established meetings, the use of an online portal for collaboration and data sharing, and continuous, direct communication with Strategic Parties/Investors, as necessary, to align the Alaska LNG Project for a successful FEED entry.

AGDC will support a FEED entry stage gate targeted in 4Q of 2024. At the time of FEED entry, it is expected that Strategic Parties will execute Purchase Option Agreements for an ownership stake in 8 Star Alaska, LLC, and the formal decision by owners to enter FEED will be taken. Funding levels by each optional Investor will be defined in agreements.

Contractors (Policy Support)

AGDC will continue to lead the development of State of Alaska and federal support for the Alaska LNG Project during the FY25 period and will utilize specialty contractors to support the efforts. These support opportunities include a lower cost approach to addressing property tax, federal processes to establish loan guarantees for debt financing of the Project, supporting third-party fiscal stability to reduce Project risk, coordination with the U.S. Export-Import Bank, and accelerated depreciation or tax holidays to improve Project economics. AGDC will work closely with Strategic Parties and Investors to inform decision makers and establish the strategy required to reach desired support.

Contractors (Market Investment/Outreach)

AGDC will continue to engage industry consultants and financial advisors for financing the Alaska LNG Project during the FY25 period and will utilize specialty contractors to support the efforts.

Contractors (Third Party Analysis)

AGDC will continue to model the economics of the Alaska LNG Project during the FY25 period through the Joint Economic Model. AGDC will utilize specialty contractors to conduct third party analysis, as necessary, to validate Project economics and sensitivities to key inputs.

Legal Support

AGDC has continued to solicit interest from new parties in joining the Strategic Party group with a focus on identifying an LNG Lead Party and Investors. AGDC will lead efforts with the LNG Lead Party and other Strategic Parties/Investors to advance commercial alignment and execute the agreements necessary for the Strategic Parties/Investors and AGDC to approve FEED funding. Specialized commercial legal support contractors will be utilized in this effort.

8 Star Alaska, LLC was established as an AGDC subsidiary to provide a vehicle for AGDC to transfer Project ownership to the private sector. AGDC embedded staff will be responsible for drafting and final approval of an 8 Star Alaska, LLC Equity Option Agreement that will be offered to Strategic Parties and Investors. Finally, AGDC embedded staff will develop the optimal longer-term equity structure of 8 Star Alaska, LLC and will finalize ownership structure.

Other Direct Costs

Other direct costs will be incurred in FY25 to support Strategic Party/Investor field tours and conferences.

1.2 – Core PMT & Systems

Primary Budget Items:

1. Contractors (Embedded Staff)
2. Other Direct Costs

Contractors (Embedded Staff)

AGDC's PMT will maintain an embedded staff of owner representatives with project management and technical subject matter experts (SMEs) sufficient to achieve the program objectives and maintain viability of the Alaska LNG Project in future phases of development. The AGDC PMT oversees all technical work activities for the Alaska LNG Project assets.

The AGDC PMT will continue to staff highly qualified individuals with experience in managing megaprojects, as well as familiarity with Alaskan and Arctic oil and gas projects, and the technical elements of the Alaska LNG Project. PMT embedded staff will also continue to coordinate with venture functions and interface with Strategic Party/Investor regulatory and technical contacts. In the event of major decision points or transitions, the PMT will provide the structure and process to support major project changes and transitions.

Other Direct Costs

Project management systems are in-place within AGDC and will continue to be maintained to ensure the continuity of Alaska LNG Project information and its efficient use across the PMT. These core systems include the Documentum System, Firmex Data Room, Transmittal Log System, Request for Information (RFI) System, Compliance Management System, ESRI GIS/Geodatabase, R Drive server files, Permit Tracking Tool, MOC Change Log, Project Control reports, and Project archives. Project management systems will continue to have a bias for being cloud-based and structured to support future transition.

AGDC maintains the Nikiski Seismic Monitoring Station through a Reimbursable Support Agreement (RSA) with the University of Alaska, Fairbanks. AGDC plans to conduct a full-project field tour for Lead Parties in FY25 and has included estimated costs to execute this effort.

1.3 – Environmental, Regulatory, and Lands (ERL)

Primary Budget Items:

1. Contractors (Embedded Staff)
2. Contractors (Major Permitting & Approvals)
3. Legal Support

4. RSA Expenses
5. Permit Fees & Land Lease
6. Other Direct Costs

Contractors (Embedded Staff)

AGDC's ERL team will maintain an embedded staff with regulatory, lands, and stakeholder expertise sufficient to achieve the program objectives and maintain viability of the Alaska LNG Project in future phases of development. The AGDC ERL team will continue to staff highly qualified individuals with experience in permitting and regulatory requirements specific to the Alaska LNG Project.

AGDC will maintain a comprehensive accounting of the legal requirements applicable to the Alaska LNG Project through a clearly defined Compliance Assurance Process under the direction of the ERL Manager. A compliance assurance process maintains current knowledge of what legal requirements apply to Project activities, what tasks need to be performed, who has responsibility for compliance tasks, and the controls used to maintain compliance. Legal requirements include federal, state, and local laws and regulations, enforceable agreements, agency orders, permits, and contractual requirements. The Compliance Assurance Process will support transition to new lead parties and major phases of Project development (e.g., entry to FEED).

Contractors (Major Permitting & Approvals)

AGDC will continue to maintain the active major permits and approvals previously obtained for the Alaska LNG Project. Specialized contractors will be utilized for maintenance of permitting and approvals in FY25.

ROW use conflict assessments and feedback are anticipated as a baseline activity throughout FY25. This work involves looking at conflicting applications for land use, evaluating potential impacts on the project, and providing feedback to agencies/stakeholders, as appropriate, under AGDC's official policy.

AGDC will progress land use agreements with key landowners for remaining ROW focused on the Phase 1 Pipeline option.

Legal Support

With the FERC Final Order issued in 2020, interveners have initiated legal challenges which were fully litigated and rejected by the courts. In addition, issuance of DOE's export license to non-free trade agreement countries continues to be challenged. AGDC's President and ERL Manager will work with legal counsel and technical resources, as needed, to continue to identify potential intervener legal strategies and take preemptive actions to mitigate intervener delay or adverse effect to the Project. Specialized litigation legal support contractors will be utilized in this effort.

RSA Expenses

AGDC directly funds various agency RSAs associated with ongoing permitting and approvals for the Alaska LNG Project. These RSAs include the U.S. Bureau of Land Management (BLM), the Alaska Department of Natural Resources, the U.S. National Park Service (NPS), and the Alaska Department of Environmental Conservation (ADEC).

Permit Fees & Land Lease

AGDC is required to pay ongoing permit and land lease fees to maintain active status for use by the Alaska LNG Project. These recurring annual fees include BLM right-of-way rent, NPS right-of-way rent, ADEC air permit fees, and fees to the Alaska LNG Project, LLC for optional land purchase rights in Nikiski.

Other Direct Costs

AGDC will incur costs for stakeholder engagement travel and outreach activities related to major permits, lands, and cultural resources.

(2) Review Process

The work scope detailed in this AFE has been developed internally within AGDC and reviewed and approved by the AGDC President.

(3) Options Considered

The Alaska LNG Project is the sole project being pursued by AGDC to commercialize North Slope natural gas. Funding of the Venture Development, Core PMT & Systems, and ERL functions represent the minimum budget required to implement the AGDC Strategic Plan and reach AGDC's Strategic Objectives. Suspending these functions would stop the Alaska LNG Project and not allow AGDC to implement the AGDC Strategic Plan further towards the FEED Stage Gate. No direction has been provided to suspend activities to date, so this option was not considered.

The FY25 WP&B breakdown from the scope above in Section 1 is as follows:

**ALASKA LNG PROJECT
FY 2025 WORK PROGRAM & BUDGET (WP&B)**

Sub-Program	Budget Item	FY25 AFE Budget
6650 Venture Development	6655 Contractors (Embedded Staff)	\$ 823,662
	6655 Contractors (Policy Support)	\$ 100,000
	6655 Contractors (Market Investment/Outreach)	\$ 85,000
	6660 Legal Support	\$ 250,000
	6675 Other Direct Costs	\$ 50,000
	Subtotal	\$ 1,308,662
6700 Core PMT & Systems	6710 Contractors (Embedded Staff)	\$ 1,870,638
	6780 Other Direct Costs	\$ 147,100
	Subtotal	\$ 2,017,738
6850 Environmental, Regulatory, & Lands (ERL)	6855 Contractors (Embedded Staff)	\$ 570,750
	6855 Contractors (Major Permitting and Approvals)	\$ 100,000
	6860 Legal Support	\$ 150,000
	6865 RSA Expenses	\$ 55,000
	6870 Permit Fees & Land Lease	\$ 585,000
	6875 Other Direct Costs	\$ 10,000
	Subtotal	\$ 1,470,750
AFE TOTAL		\$ 4,797,150

(4) Spend Comparison to Overall Legislative Sanction and Current Year Fiscal Budget

The requested funds are aligned with the Strategic Plan and legislative sanction for AGDC pursuant to Alaska Statutes. There will be sufficient funds within AGDC's Alaska LNG Project Fund (1235) and a pending DOE grant to cover the baseline WP&B.

(5) Risks of Delivery or Non-Delivery

The following major risks have been identified for the Alaska LNG Project:

- Megaprojects have increased exposure to major cost overruns, major schedule delays, major operational problems, and regulatory delays.
- Global competition from competing LNG projects.
- Alaska projects are more expensive and have higher execution risk than U.S. Gulf Coast equivalents because of difficult logistics and remoteness from needed services. These issues can amplify impacts of cost overruns and schedule delays.
- Overlapping regulatory oversight by federal, state, and local agencies.
- Financing institutions putting pressure on new oil and gas investments in the Arctic.
- Slippage in schedule due to lack of commercial contracts and funding, delayed permitting/ approvals, or authorization of expenditure.
- Gas supply shortfalls projected in Cook Inlet may lead to Railbelt Utility LNG imports, reducing the likelihood of the Phase 1 Pipeline strategy to move the overall Alaska LNG Project forward.
- The Alaska Legislature can appropriate AGDC's funds to apply to other state priorities or can re-define AGDC's abilities through new legislation.

(6) Cost Phasing

The cash flow associated with this AFE is based on cost estimates in the FY25 WP&B. There are no phasing issues associated with the proposed baseline scope. Contract commitment of funds will be need-driven during the fiscal year and obligated as needed in the period. In the event additional funds are made available to AGDC from Strategic Parties/Investors or from a federal appropriation administered by the DOE, a revised AFE will be submitted for Board approval.

(7) Resources

Required resources will be provided by existing AGDC Venture Development, Core PMT & Systems, and ERL staff and contractors, selected technical subcontractors with subject matter expertise (SME), and Strategic Party SMEs. The AGDC President and staff will provide owner's representation and technical oversight of the work scope and interfaces between cooperating parties.

(8) Cost Contingencies

The budget for the scope of work has been built-up and spread monthly with no contingency included. A 10% cost contingency has not been added to this AFE per previous direction from the Board due to the strong definition of scope for FY25.

(9) Risks of Delivery and Mitigation

AGDC will mitigate risks of deliverability by managing AGDC work efforts through owner's representatives. Individual leads for Venture Development, Core PMT & Systems, and ERL will provide overall leadership and governance for the authorized WP&B work efforts. AGDC owner's representatives will be supported by leveraging the services of specialized contractors who have senior technical, management, financial,

and legal expertise. The risk of delivery will be mitigated by authorizing expenditure and expeditiously entering appropriate key contractual relationships.

AGDC RECOMMENDATION/APPROVAL		
Originator & Financial Authority:		
Title: President		Date: 6.13.24
BOD Approval:		
Title: Board Chair		Date: 6-13-24