Alaska Gasline Development Corporation (AGDC)

- Public corporation owned by the State of Alaska.
- Empowered to expedite, finance, and build a gas project.

Vision:
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 LNG PROJECT

• Integrated gas infrastructure project:
  ✓ Gas Treatment Plant:
    ▪ 200 acre site at Prudhoe Bay.
    ▪ Deliver up to 3.5 Bcf/d.
  ✓ Pipeline:
    ▪ 800-miles (1,287 km).
    ▪ 42-inch pipe (1.1m).
    ▪ Several in-state offtake points.
  ✓ LNG Production Facility:
    ▪ Located in Nikiski, Alaska.
    ▪ 600 acre site.

• Produce up to 20 MMTPA

Fully integrated natural gas pipeline and liquefaction system.
Refining the “Stage Gates”

New elements in the “Decision to Enter FEED”:

- Have we structured the project for tax and other financial efficiencies?
- Have we secured customers sufficient for financing?
- Have we identified and secured parties interested in equity investment in the infrastructure project?
- Have we identified and secured lenders for non-recourse project debt finance?
- Have we secured large EPC companies competent to manage the construction of the project and shoulder a significant part of the construction related risks?
AGDC LEADING THE TEAM

- AGDC is willing to lead, but that does not mean “go it alone”.
- AGDC has never said, nor will it advocate, the State building this project on its own.
- Lowering the cost of infrastructure through third-party financing and reduced federal taxes through State ownership will raise the netback received by the State and producer parties.

End Result: State control,
Low cost infrastructure finance,
Stable and competitive energy for customers.
• Current global surplus.
• Equilibrium in early 2020’s; new supply needed 2021-2025.
• Many supply projects chasing demand.
• Sellers must compete on more than just price.

Source: Wood Mackenzie
LNG market prices have dramatically dropped in the past 18 months due to the current global surplus.

Under current pricing, LNG projects are challenged to deliver high rates of return to investors.

Infrastructure investors are willing to accept moderate rates of return in exchange for long term stability.

CHALLENGE: GLOBAL ENERGY PRICES

Select Global Energy Prices

Source: World Gas Intelligence, EIA
Third party financing and tax exempt status will reduce the cost of service to a globally competitive level.

- In addition to a third party toller, the State of Alaska (SoA) could further reduce the cost of supply with a potential tax exemption.
- SOA-ownership shown as fully tax exempt.

**From here... to there**

- Current Project
- Third-Party Owned tolling utility
- SoA-owned tolling utility (No tax)

$/mmbtu range:
- Long-term @ $70/bbl
- Today @ $45/bbl

(12%-14%)+US$0.80/mmbtu @ $70/bbl
(Asia DES Price contract price range)
A position in Alaska provides for optimized logistics.

ALASKA’S STRATEGIC ADVANTAGE

- Location advantage; seven days to market.
- Temperature advantage: Cold temp provides efficient LNG production.
- Political stability.
- Proven conventional resource.

Nikiski, Alaska is located on the North Pacific Ocean, and presents one of the most expedient routes to Japan.
BENEFITS – JOBS

- Construction jobs.
- Support industries.
- Operating positions.
- Maintenance.
- Gas distribution.
- Increased exploration and production.
Natural gas is in a **useable** form directly off the pipeline.

Alaskan resource projects will have **stable** and predictable supplies of natural gas.

Resource and industrial projects can begin contracting now for future gas supply.
WHAT HAPPENS NEXT?

- **Regulatory and “pre-FEED”:**
  - $600MM invested in “pre-FEED”,
  - 33,700 pages submitted to FERC,
  - World-renowned contractors involved in all segments,

- **Commercialization**
  - Tolling commitments,
  - LNG purchase commitments.

- **Financing:**
  - Investment banker to be engaged,
  - Introduction to global financial debt and equity markets.
CONCLUSION

• A project with major benefits for the State of Alaska:
  ✓ Economic diversity.
  ✓ Long term energy supply stability for homes and new industries.
  ✓ Direct and indirect quality jobs.
  ✓ Increased oil and gas production.

• Competitive global landscape, but Alaska can compete.
• Will not be built at risk, the project must attract customers and investors.
• Alaska is now in the lead; focus is on what is best for Alaska.

Customers and investors now welcome!
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FOR MORE INFORMATION
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