Alaska LNG Project Update

City of North Pole, Alaska

Frank Richards, President
June 7, 2021

ALASKA GASLINE DEVELOPMENT CORP.

Who is AGDC?

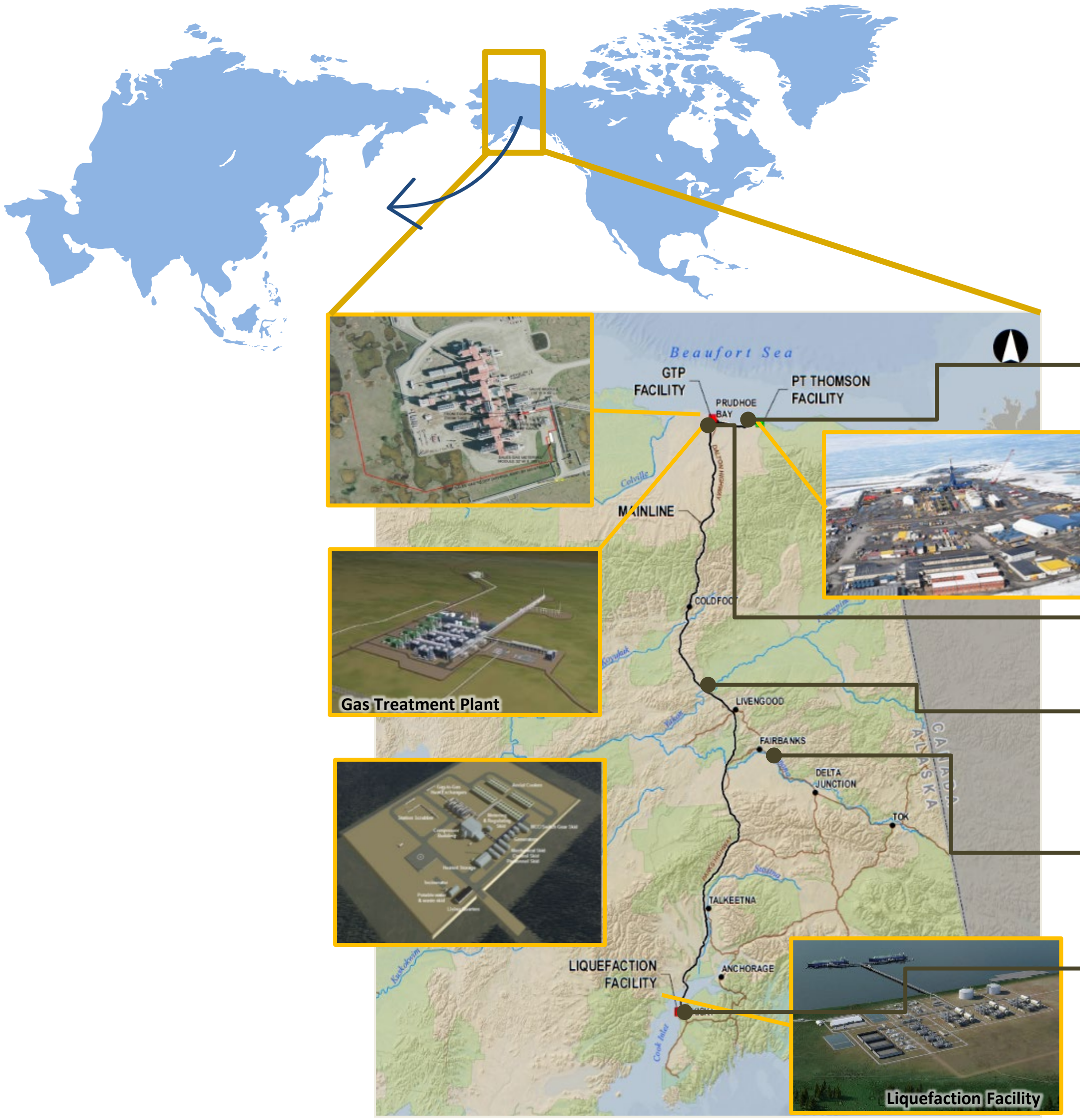
ALASKA GASLINE DEVELOPMENT CORP.

The Alaska Gasline Development Corporation (AGDC):

- Independent, public corporation owned by the State of Alaska
- Created by the Alaska State Legislature
- Currently lead party for developing the Alaska LNG Project

Goal: Maximize the benefit of Alaska's vast North Slope natural gas resources through the development of infrastructure necessary to move the gas to local and international markets.

Alaska LNG Project – Overview



Gas Production

Project anchored for 20 years by 34tcf of discovered conventional North Slope associated gas from Prudhoe Bay and Point Thomson

100tcf of prospective conventional resource could give 50+ years of feed gas

Gas Processing

A new gas treatment plant (GTP) will be located at the North Slope

Pipeline

807 mile pipeline with 3.3 bcf/d capacity

In-State sales

Gas will meet the needs of local markets, reducing use of highly polluting fuels in interior Alaska

Liquefaction & Storage

20mtpa

2 x 240,000 m^3 LNG Storage Tanks

Expected to export 15-20 cargoes per month

Alaska LNG Project Regulatory Status

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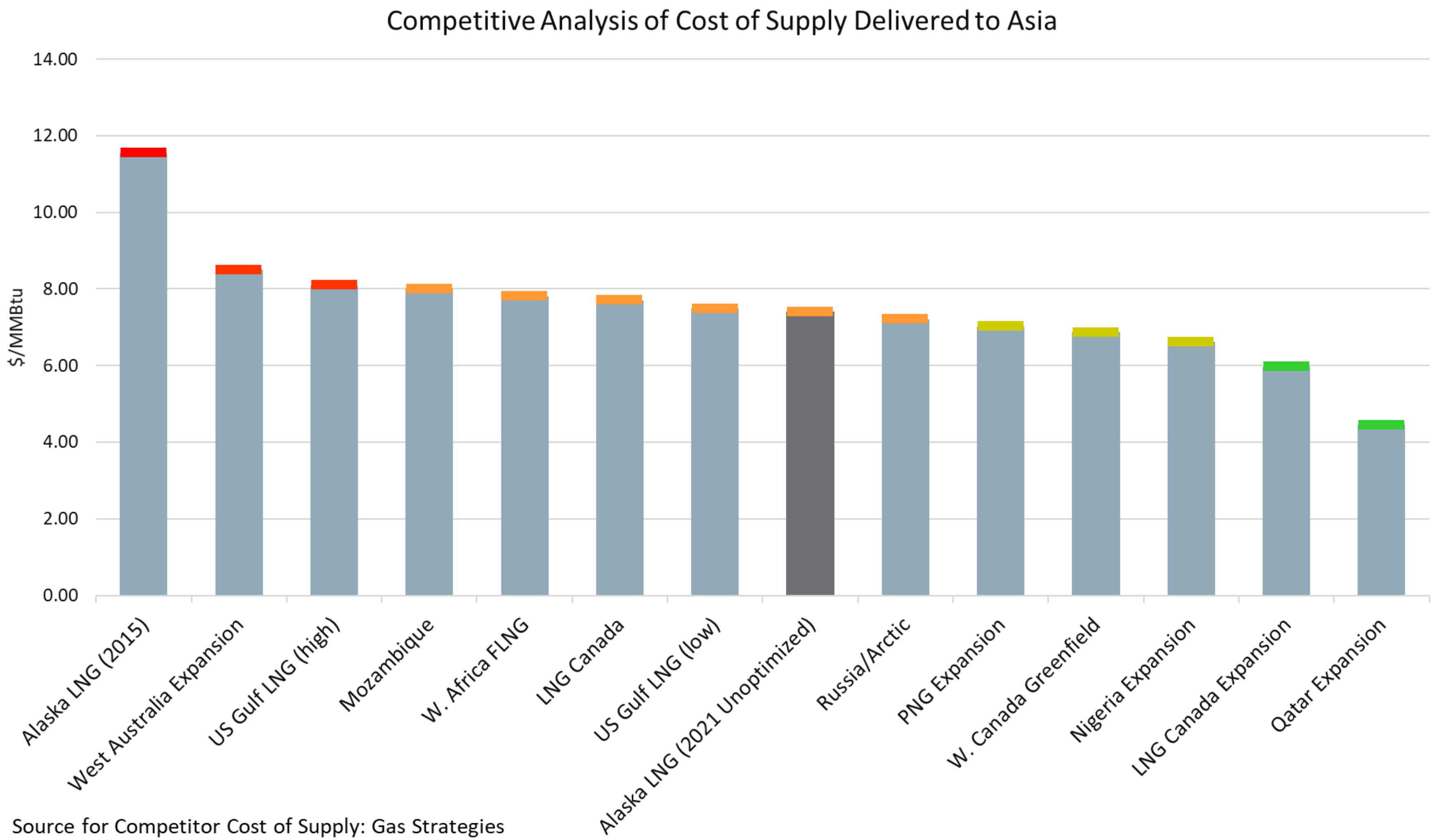
- Completed
  - Federal Energy Regulatory Commission (FERC) Final Environmental Impact Statement and Section 3 Order
  - Federal ROWs: Bureau of Land Management, National Park Service
  - All 36 Major Federal permits & authorizations completed
  - Alaska DNR State Land ROW Lease
  - Alaska DEC Air Permit for the Gas Treatment Plant (GTP)
- In Process:
  - Alaska DEC Air Permit for the Liquefaction Facility
  - Cultural Resource Management Plan

Cost Reduction Work Program

- AGDC analyzed and updated the total capital and operating cost projections of the AKLNG project from the 2015 Joint Venture Agreement estimates
- AGDC worked with senior engineers and project management professionals from BP and ExxonMobil to review original cost estimates and concluded that, with changes in the industry, costs could be reduced significantly
- AGDC contracted with Fluor Corporation to evaluate cost reduction opportunities and update the Class 4 Cost Estimate
- Updated Class 4 Cost Estimate is input into project economic model developed with input from BP, ExxonMobil, DOR, and an investment bank
- Outcome was decision by Board of Directors that Alaska LNG Project is commercially and technically viable

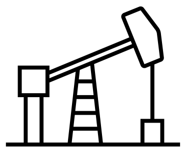
Alaska LNG Competitiveness



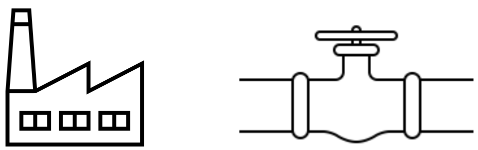
Source for Competitor Cost of Supply: Gas Strategies

Proposed Commercial Structure

The project will have a non-integrated structure to attract a broad range of potential investors by allowing investors to target specific asset classes, and risk return profiles.



Will unlock otherwise stranded gas for upstream investors



Infrastructure investors can focus on the GTP and Pipeline

LNG offtakers can focus on the Liquefaction Plant

Key Benefits

• Market for significant gas resource which would otherwise be stranded	• Low risk, long life assets • Credit worthy counterparties • Long terms capacity agreements • Experienced operator	• Fixed price LNG with no commodity price risk • Low exposure to shipping costs • Excellent location to enable portfolio swaps and optimisation

Alignment of Strategic Parties

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- Advancing the structure and leadership of the project with Strategic Parties consisting of:
  - North Slope producers
  - A major pipeline developer
  - LNG buyers
  - Banks and financial corporations
- These parties have the technical and financial capacity to bring this project to completion
- Strategic parties have a combined market capitalization of $1.25 trillion
- New potential strategic parties with significant market capitalization have approached AGDC

Alaska Will Need to Address Two Hurdles

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Fiscal Stability

- It is difficult to imagine a scenario where the private sector would invest $38 billion, when any future legislature can essentially change contract terms at any time.
- Most other resource owner states are able to offer a Fiscal Stabilization Clause.
- Compounding this issue is the fact that the State can change it's election for royalty and tax between "in-kind" and "in-value" – this project relies on long-term, 20+ year contracts to work and that requires fiscal stability.

Payment in Lieu of Tax (PILT)

- Property tax for the project is an order of magnitude higher than other projects in North America ($0 – 50 MM p.a.).
- Competing projects globally don't pay property tax, or it is back loaded in the project life.

And ultimately decide on level of participation

State Participation

- State equity participation can help facilitate the project.
- State participation helps create alignment between the state and the project.
- It is not uncommon for to see sovereign ownership in infrastructure.
- The State should only have a minority stake and not an operatorship role.
- Equity participation will also increase the State's take from the project.

Alaska LNG Project – Positive Impacts

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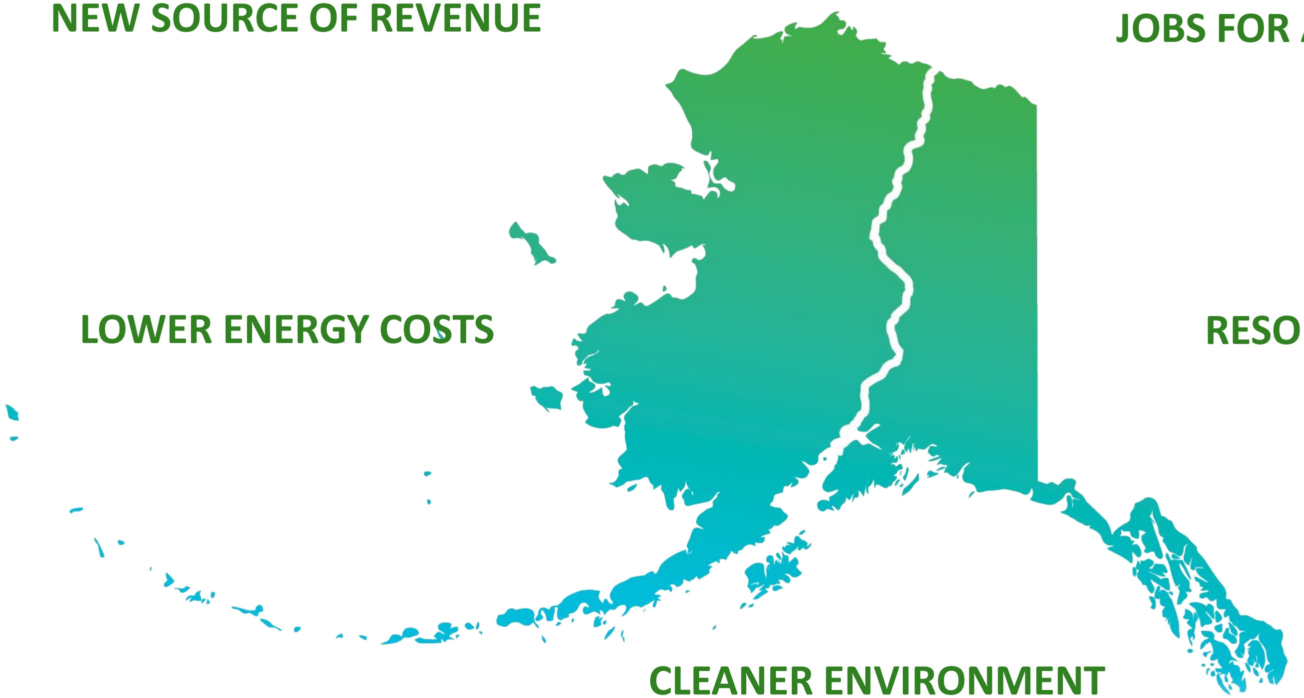
NEW SOURCE OF REVENUE

JOBS FOR ALASKANS



LOWER ENERGY COSTS

RESOURCE DEVELOPMENT

CLEANER ENVIRONMENT

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How Alaska Ranks

Unemployment Rate[1]

1st Nebraska/S. Dakota 3.0%

25th* 5.8%

50th Hawaii 9.3%

*Tied with Missouri

Job Growth[2]

1st Idaho 0.7%

39th* -7.7%

50th Hawaii -13.5%

*Tied with New Jersey and Oregon

Job Growth, Private[2]

1st Idaho 1.8%

46th -9.6%

50th Hawaii -15.2%

Job Growth, Government[2]

1st Montana -0.2%

4th -2.0%

50th New Hampshire -10.7%

Job Growth, Leisure and Hospitality[2]

1st Idaho 0.9%

33rd -27.3%

50th Michigan -47.7%

Note: Government employment includes federal, state, and local government plus public schools and universities.
[1]December seasonally adjusted unemployment rates
[2]December 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

Near-Term Economic Stimulus Initiative

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- Potential to attract stimulus and private funding to quickly create jobs and revitalize Alaska
- Phase One opportunity - $5.9 billion clean energy infrastructure initiative
- Immediately ignites our economy, put thousands of Alaskans back to work
- Resolves longstanding climate, pollution, and energy problems affecting rural and urban Alaskans
- Alaska LNG is unique; the project has major permits required to start Phase One work now

Phase One - Infrastructure Opportunity

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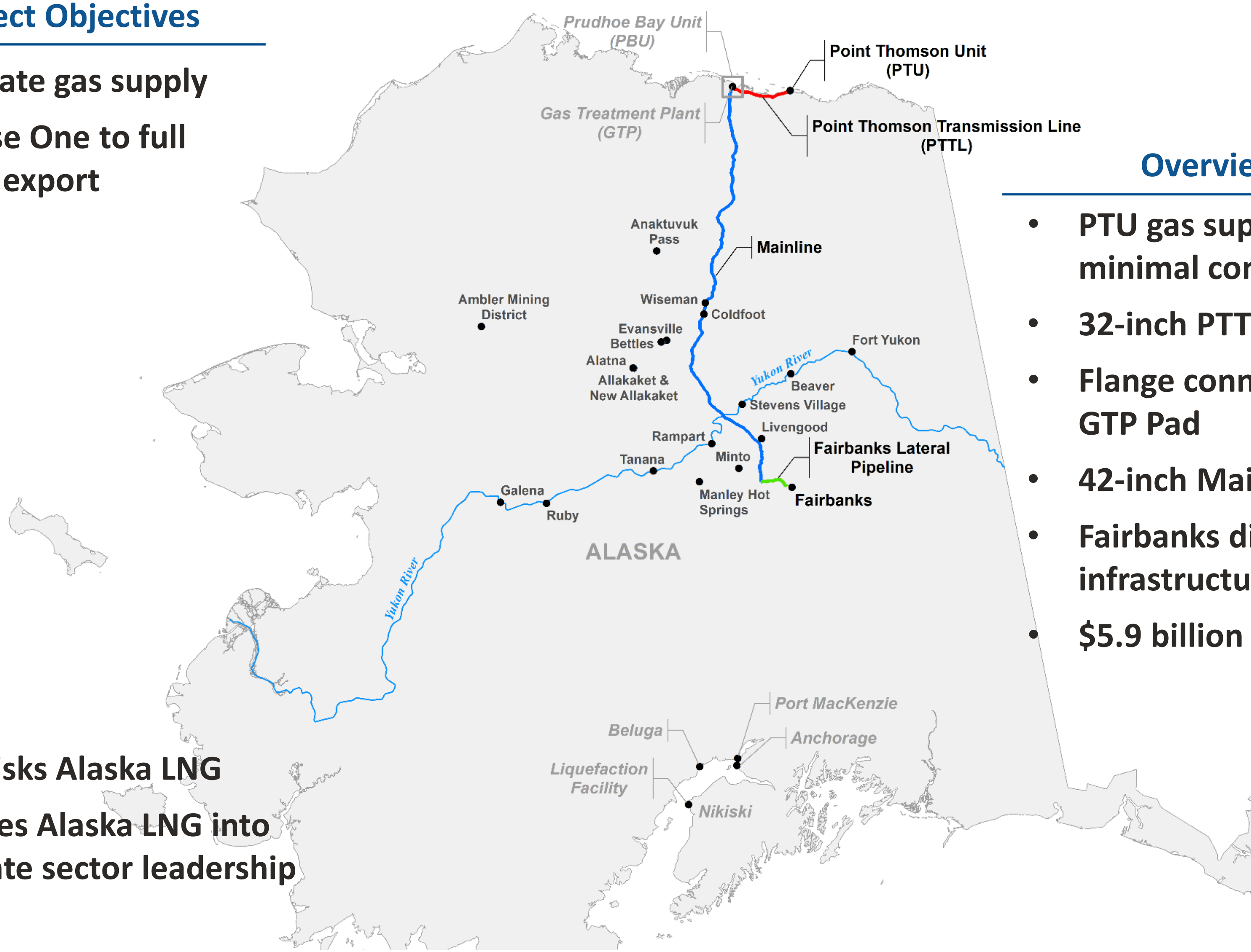
Project Objectives

- In-state gas supply
- Phase One to full LNG export



Overview

- PTU gas supply with minimal conditioning
- 32-inch PTTL
- Flange connection at GTP Pad
- 42-inch Mainline
- Fairbanks distribution infrastructure
- $5.9 billion

- De-risks Alaska LNG
- Moves Alaska LNG into private sector leadership

Phase One - Alaska Economic Stimulus

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- Propels a near-term economic recovery for Alaska:
  - ✓ $1.5 billion impact in first 24 months
  - ✓ 1,400+ high-paying direct jobs
  - ✓ 20,000+ indirect jobs
- Immediate benefit to hardest-hit service industries (e.g., restaurants, hotels, transportation, warehousing, etc.)
- Delivers natural gas to Interior Alaska in 2025
- Private sector leadership:
  - Build and operate
  - Invest capital in ownership depending on level of Federal infrastructure funds available to Alaska

Phase One Opportunity

- Fund the project alongside private sector Lead Party:
  - ✓ Owner Builder Operator (OBO) would invest capital
  - ✓ OBO to receive minimum return ahead of any State payback
  - ✓ Gas is delivered to Fairbanks for $5 -$15/MMBtu depending on Federal infrastructure funding
- Significantly de-risks Alaska LNG
- Once Alaska LNG is sanctioned by investors, gas prices normalize to under $5/MMBtu in Interior and Southcentral Alaska
- The Alaska LNG project final phase will bring additional job creation
- Alaska LNG's clean-energy infrastructure positions Alaska to remain a major energy exporter far into the future by exporting LNG and eventually hydrogen

Alaska LNG - Moving Forward

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- Completing state permits and approvals
- Working with private-sector Strategic Parties to provide investment and lead the LNG export project
- Seeking Federal infrastructure funds for a Phase One economic stimulus opportunity
- Encouraging Alaskans to rally behind the project that will bring positive impacts to Alaska for generations

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