

Presentation to the Alaska Support Industry Alliance

September 24, 2015

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Background

- Chairman, Alliance for Innovation and Infrastructure (Aii)
- Former 1st Administrator / CEO – Pipeline and Hazardous Materials Safety Administration (PHMSA)
 - Regulated TAPS
 - PIPES Act of 2006
- Naval Aviator / Desert Storm Veteran

Background: Alaska Opinions

Alaska Dispatch News

Alaska voters hold the key to North Slope, LNG
Project

June 4, 2014

Forbes

Amid Tumbling Oil Prices, Alaska LNG
Must Go Forwards

January 14, 2015

Forbes

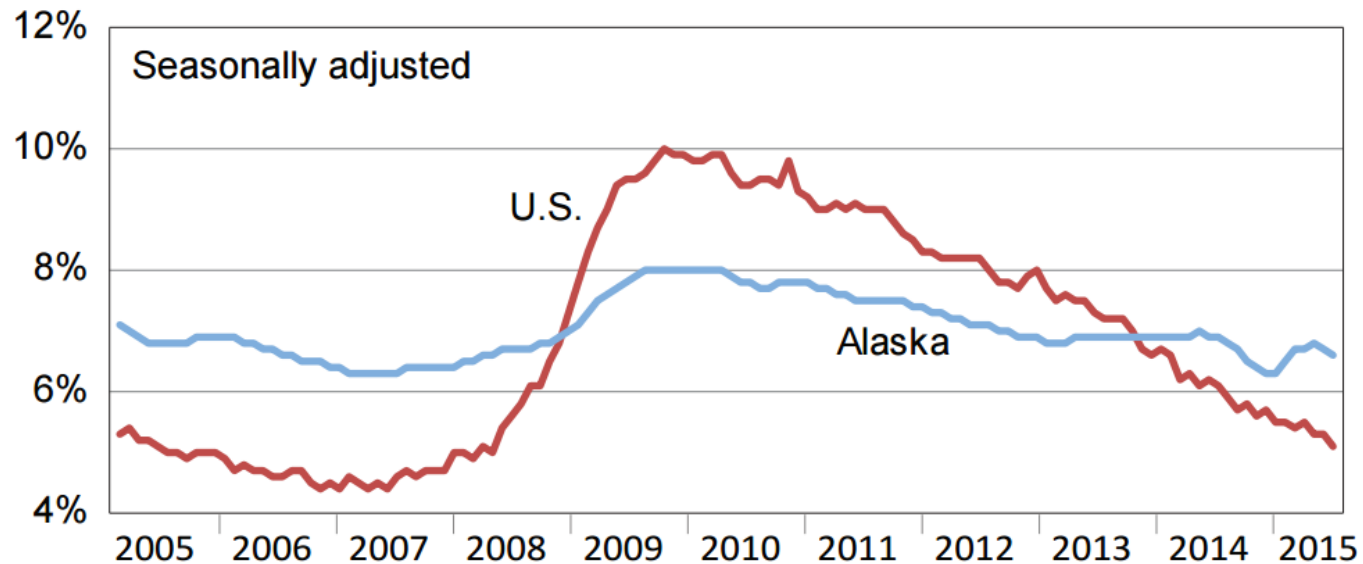
Ambitious LNG Project Could Revive
Alaska's Fortunes

September 22, 2015

Alaska's Economic Scenario

Unemployment

**Unemployment Rates, Alaska and U.S.
January 2005 to August 2015**

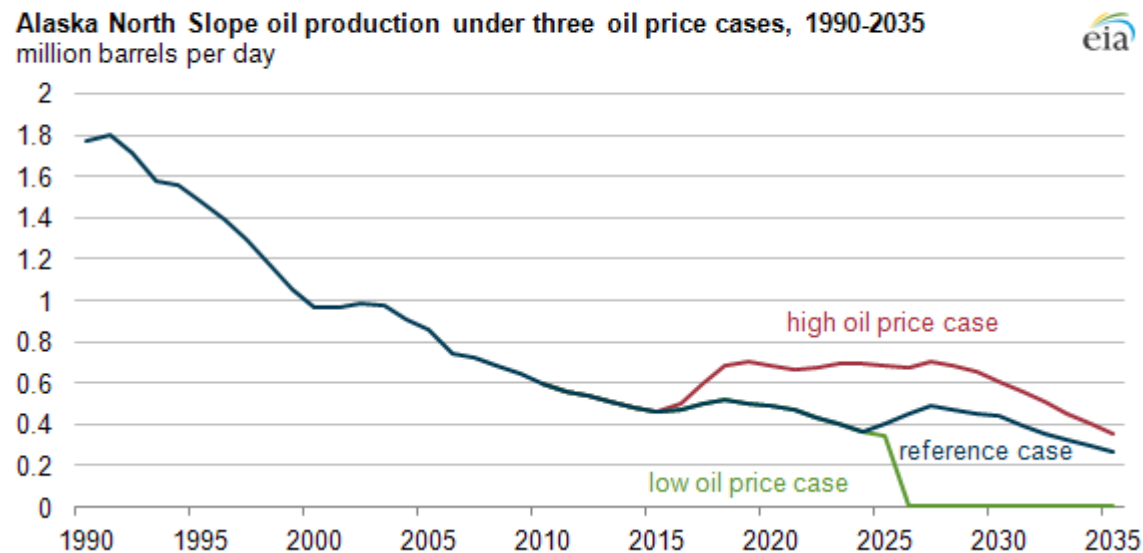


Source: [Alaska Department of Labor](#)

Alaska's Economic Scenario

Declining Production

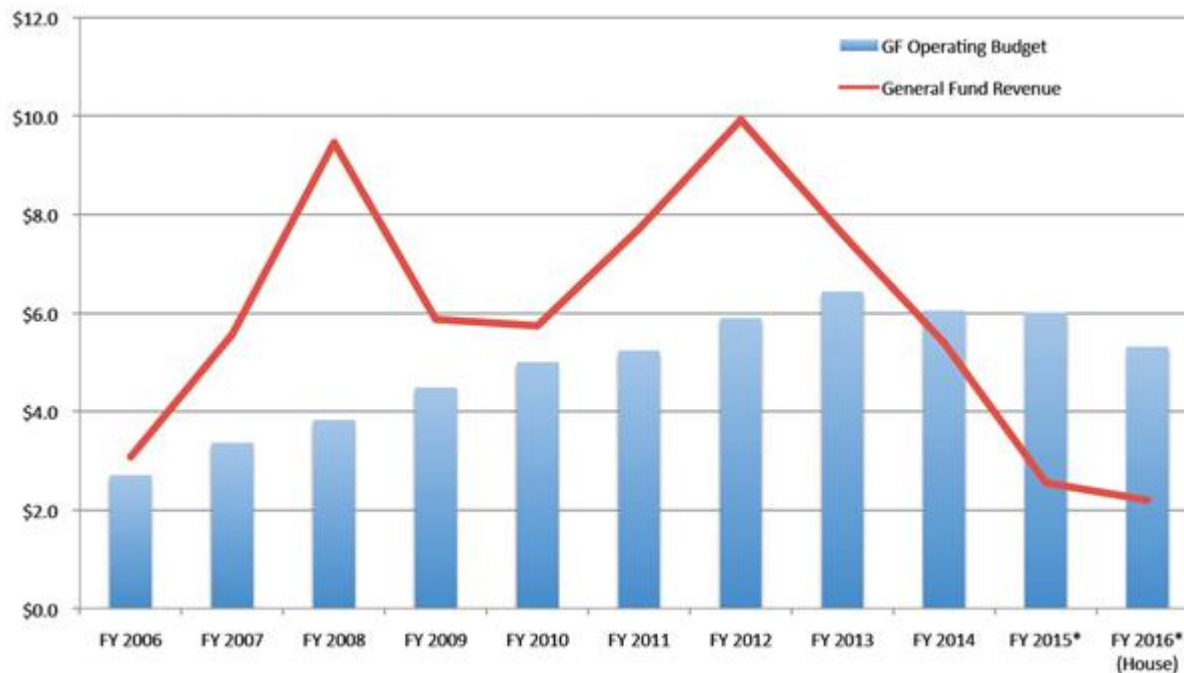
Projected Alaska North Slope oil production at risk beyond 2025 if oil prices drop sharply



Source: [Energy Information Administration](#)

Alaska's Economic Scenario

Ongoing Fiscal Concerns



Source: [Alaska Journal of Commerce](#)

Alaska's Economic Scenario

Rating Downgrade Warning

Alaska Dispatch News

Oil price collapse prompts agency to lower Alaska credit outlook

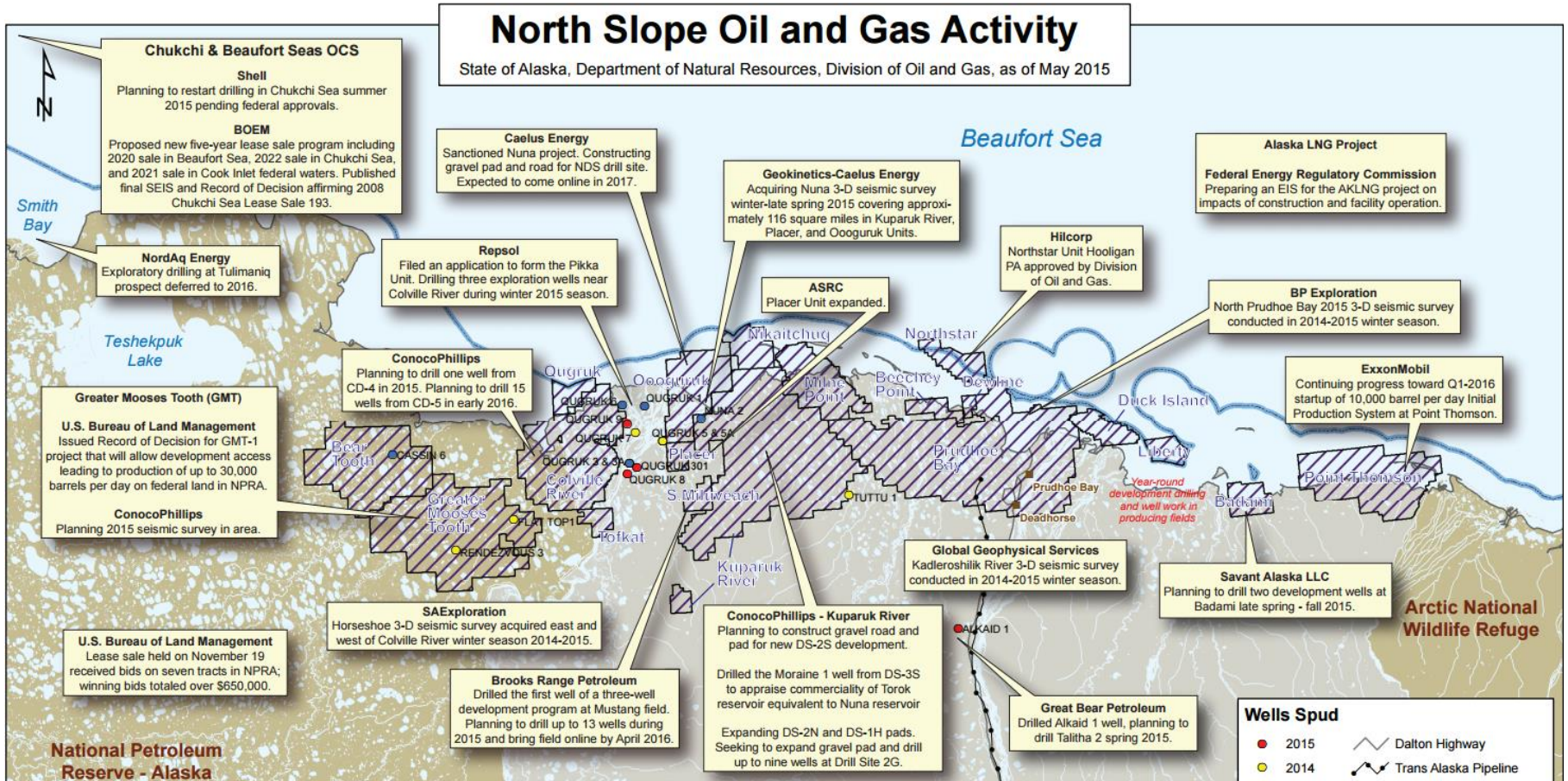
December 16, 2014

Alaska Dispatch News

S&P drops Alaska's bond rating outlook from 'stable' to 'negative'

August 18, 2015

Options For Economic Growth: Oil, Gas



Source: [Alaska Department of Natural Resources, Oil and Gas Division](http://www.adnr.state.ak.us)

Alaska LNG Overview

- Partners: State of Alaska, BP, ConocoPhillips, ExxonMobil, TransCanada
- Cost: Valued between \$45 and \$65 billion
- Job Creation: as many as 15,000 jobs during the design and construction phases and another 1,000 permanent positions for long-term operations.
- Reserves: 32 Tcf at Prudhoe Bay and Pt. Thomson



Alaska LNG: Major Components

Three Megaprojects in One:

1. North Slope Gas Processing Plant
2. New, 800-Mile Gas Pipeline (42-48 inches)
3. Liquefaction, Export, LNG Tanker Facilities



LNG: Alaska's Advantage

1. Proven And Known Resource

- Prudhoe Bay, Point Thomson: 32 Tcf gas
- 40+ years of gas cycling at Prudhoe Bay

2. Proximity To Asia

- Growing Asian demand
- Shorter shipping routes

3. Partnership Model That Aligns Interest

4. Solid Financial Commitment

AKLNG Ongoing Work

Pre-FEED Spend and Studies

- Export License
- \$400 million spent
- Ongoing field and design engineering work
- FEED Decision next

Additional Needs

- Gas Off-Take Plans
- Municipal Tax Structure (e.g. PILT)
- Fiscal Terms for Gas (e.g. Constitutional Amendment)

All AlaskaLNG Partners Share Responsibilities

State has responsibilities to move project forward

“Given our financial situation, we can no longer afford to stand by and wait while Alaska’s future is decided in the boardrooms of international corporations that have competing global interests. It is time to develop the option for a large-volume natural gas project with Alaskans in control, with the decision-making based on what is best for Alaska. We are an Owner state and we must act like the owners we are.” – Governor Bill Walker, February 2015

Growing Uncertainty Created By The State

- Three different negotiating teams since January 2015
- Pipe size increase studies
- ASAP Project as back-up or competitor
- Gas reserves tax
- Gas marketing trip to Alaska

Pipeline Infrastructure Megaprojects: Keys for Success

1. Cooperation among project backers
2. Keeping costs of supply low
3. Competing within market demand
4. Full engineering and design studying

Q&A