

ALASKA LNG

WILL WE GET A PROJECT?

ALASKA SUPPORT INDUSTRY ALLIANCE

FAIRBANKS INDUSTRY UPDATE FORUM – OCT. 4, 2018

2 TIMELINE FOR PERMITS and MONEY

- Federal Energy Regulatory Commission plans to issue draft EIS February 2019
- Final EIS in November 2019; commission decision by February 2020
- Alaska Gasline Development Corp. still working to answer FERC's questions
- State funds likely to run out fall 2019; AGDC spending about \$4 million/month
- Venture will need state or private money; could go to Legislature next session
- AGDC plans to introduce itself to potential investors late 2018,
followed by an investment solicitation campaign in early 2019

3 THE FINANCING HURDLES

- After FERC authorization comes heavy spending if the project proceeds:
Who will write the checks? China is interested, but not committed
- Financing requires solid contracts for the state to buy the gas, pay for pipe and liquefaction, and sell the LNG at the loading dock at a profit to cover the debt
- And financing requires LNG buyers willing to take the long-term market risk
- Who takes the construction risk of delays and overruns, market volatility risk
- Do the state or producers share in any market upside, or do buyers get it all?

4 THE ALASKA HURDLES

- The opposite of Not In My Backyard — everyone wants it in their community: Kenai Borough, Matanuska-Susitna Borough, Valdez all want the LNG plant
- Matanuska-Susitna Borough has asked FERC to halt its review process until Port MacKenzie gets full consideration as potential site for LNG plant
- A state-owned project would be exempt from municipal property taxes
- The state, AGDC and the five boroughs have yet to settle on a plan for impact aid during construction, payments in lieu of taxes during operation

5 WHAT'S GOING ON ELSEWHERE

- LNG Canada gets the go-ahead for Kitimat, BC, project at \$31 billion US
- Partners Shell, PetroChina, Korea Gas, Mitsubishi, Malaysia's Petronas: Project CEO happily calls it 'The Dream Team of joint ventures'
- U.S. Gulf and East coasts will have six operating LNG terminals in 2019
- Russia's first Arctic LNG project opened a year ago; second project expected to reach final investment decision 2019; total output twice Alaska LNG
- World-leading Qatar plans to boost LNG output capacity by almost 50%
- Russia's first gas pipeline to China scheduled to start deliveries late 2019

6 TRADE WAR DOES NOT HELP

- Good news: U.S.-China trade fight likely will end before Alaska LNG starts up
- Bad news: China's 10% tariff on U.S. LNG and political posturing do not help
- Most market analysts expect China to hold off on any long-term U.S. LNG deals
- "Who do you trust to sign a long-term procurement agreement for LNG?
If you are having a trade spat with that partner, it's really hard to get them to come to the table and sign a trustful long-term agreement."
— *Dean Foreman, American Petroleum Institute's chief economist*
- **China is world's fastest growing market, wants multiple LNG supplies**