



# THE ALASKA GASLINE PROJECT UPDATE: HOW FAR WE'VE COME AND WHERE WE'RE HEADED

# Getting North Slope Gas to Market

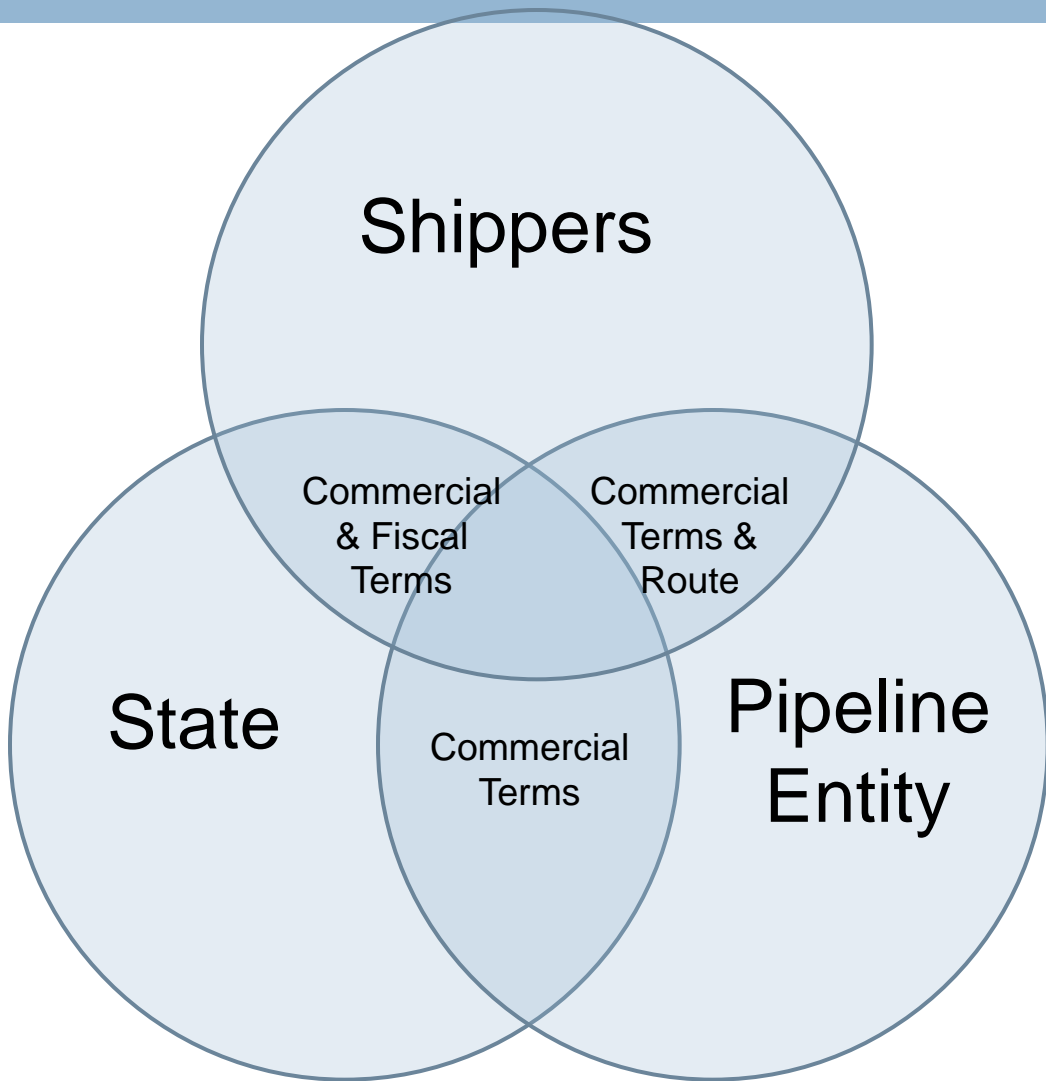
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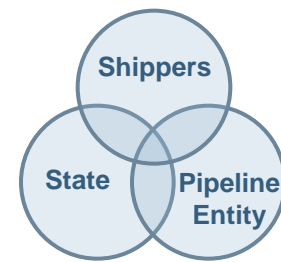
**North Slope**  
(35 Tcf of Nat. Gas)



- 1. Alaska Pipeline Project (APP)
  - a) Overland Mainline Route
  - b) LNG Route
  - c) Alaska Off-take points, including spur line options
- 2. Denali Pipeline Project
  - a) Overland Mainline Route
  - b) Alaska off-take points, including spur line options
- 3. Bullet Line

# Aligning Stakeholders





# The Alaska Gasline Inducement Act

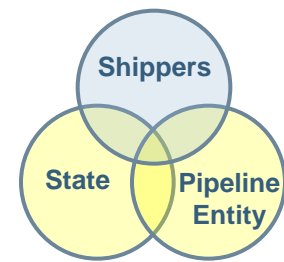
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## Licensee Commitments:

- ▣ Advance the project through Open Season to FERC Certificate
- ▣ Ensure low tariffs and open access
- ▣ Gas off-take for Alaskans

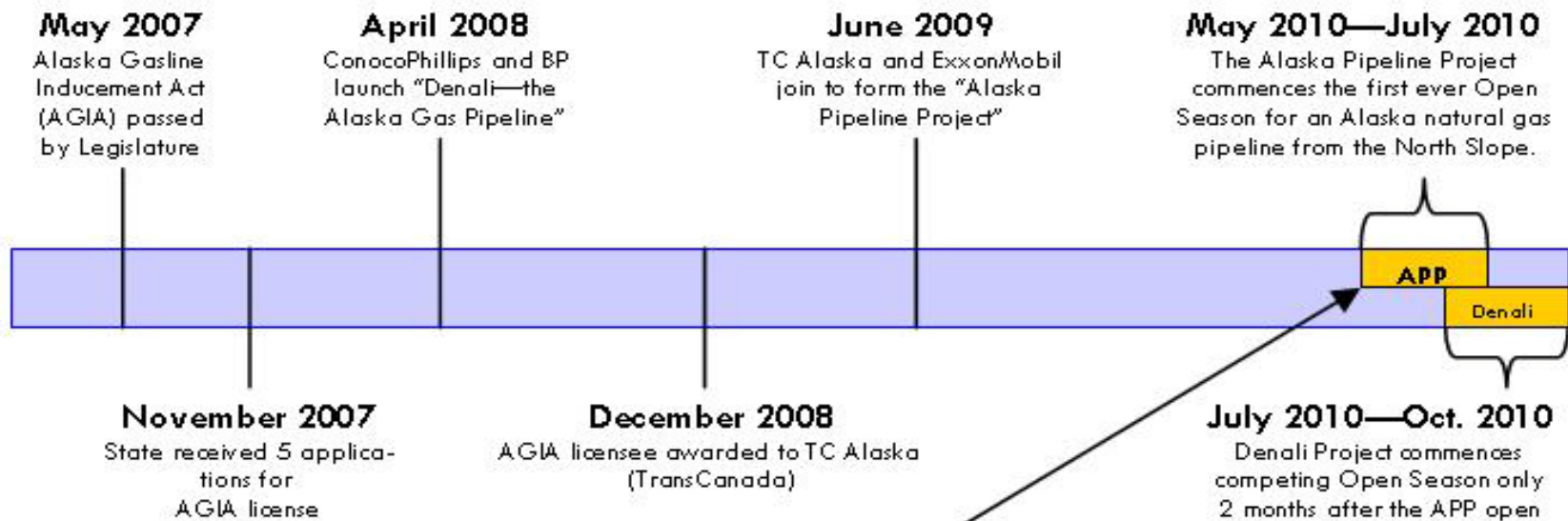
## State Commitments:

- ▣ \$500 million match against qualified expenditures
- ▣ Tax & Royalty certainty provisions for shippers
- ▣ Expedited and Coordinated permitting

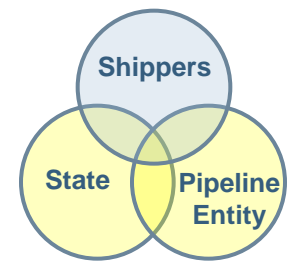


# Progress over the Last 3 Years

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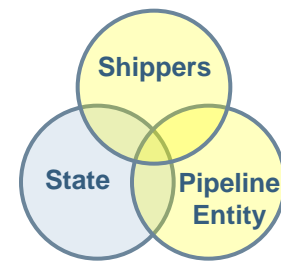


**Unprecedented progress to date!**  
 AGIA ensures the pipeline project moves forward while other alignments are formed



# What is an Open Season?

**Open Season: Gas Pipeline Entity** publically proposes key terms and design parameters to prospective customers and solicits bids for capacity on the gas pipeline.



# Two Projects; Similar Terms

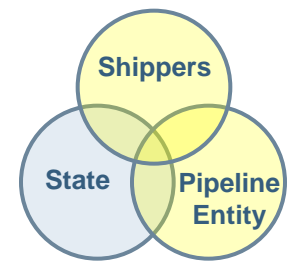
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## APP (TC and ExxonMobil)

- ★ 75/25 Debt/Equity
- ★ 12% ROE
- ★ 20 year initial term
- ★ Similar timelines
- ★ LNG option
- ★ Provisions included to protect state interests

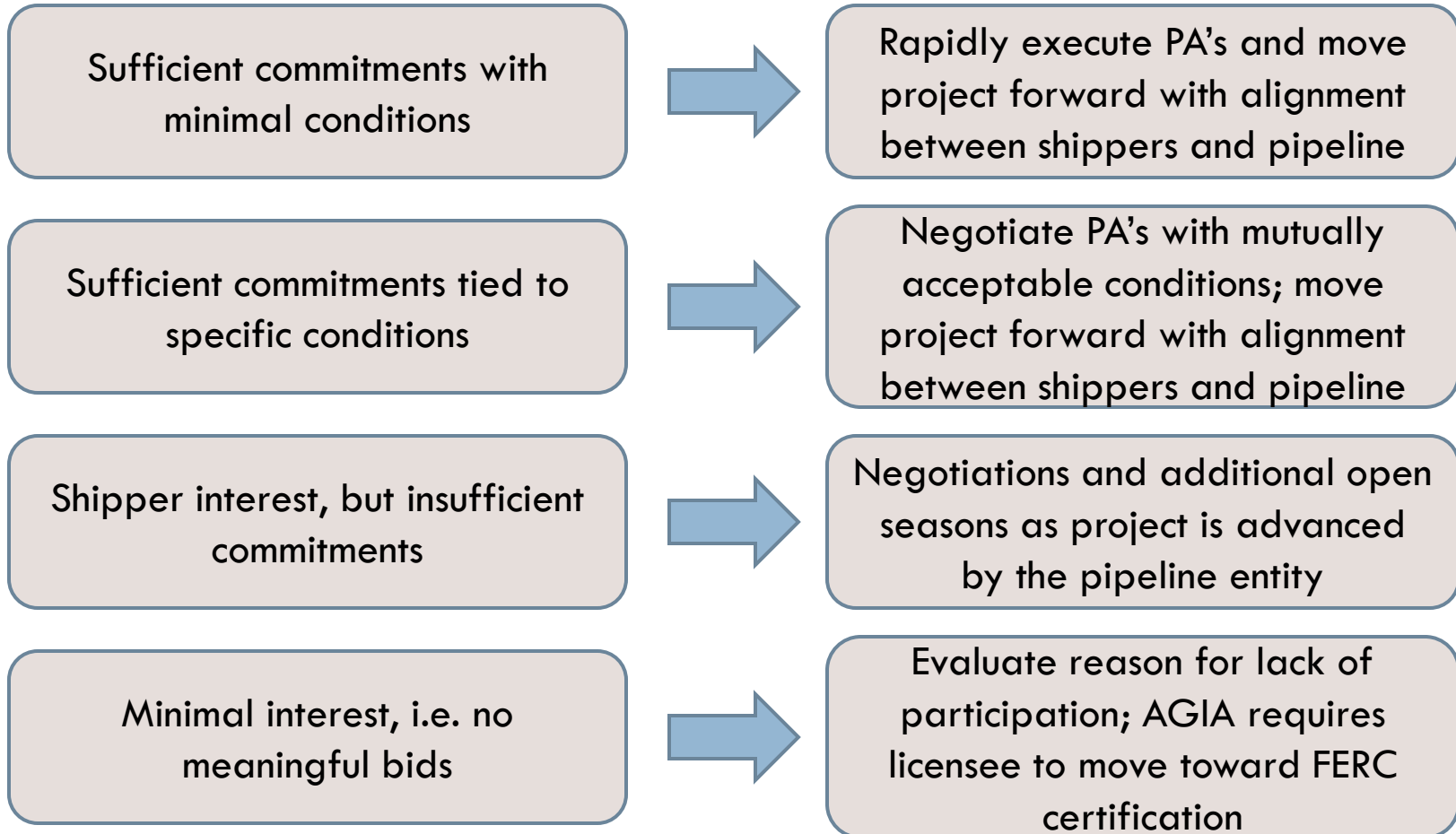
## Denali (Conoco Philips and BP)

- ★ 75/25 Debt/Equity
- ★ 12% ROE
- ★ 20 year initial term
- ★ Similar timelines
- No LNG option

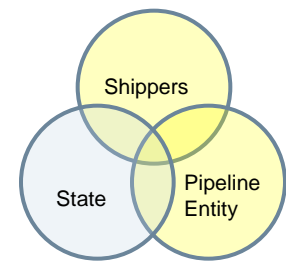


# Possible Open Season Outcomes

*Numerous possible outcomes. Each helps to identify distinct project needs and inform subsequent state action*







# Factors Driving Project Value

Labor Costs

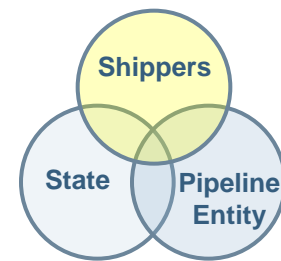
Natural gas prices

Cost of steel

Regulatory & permitting costs

State & federal share  
(i.e., “the fiscals”)

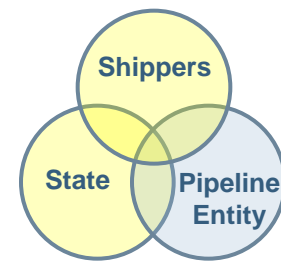




# What About the Fiscals?

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With pipeline costs estimates and tariff terms further refined in the open season, the state and shippers are in a better position to evaluate the adequacy of the state's fiscal system, and whether changes are needed.



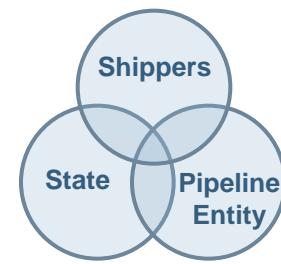
# Fiscal System Changes?

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If Shippers demonstrate that changes to the state's fiscal system are necessary, then changes can and should be made.

However, it is important that the project development continue to advance while the fiscal system evaluation and alignment progresses.

# Summary



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- Alaska Gasline Project has made ***unprecedented progress***
  - ▣ The first Open Season(s)
- Future challenges
  - ▣ Successful execution of Precedent Agreements - an important step in the development of the project
  - ▣ Numerous issues will need to be resolved among the stakeholders (included the state) before project sanction
    - The project sanction decisions are expected in 2014
    - The North American and Global natural gas markets are volatile, and much will change before 2014
  - ▣ To protect the state's interests, the pipeline project development must continue to advance while alignments are resolved

For more information go to:

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<http://www.gasline.alaska.gov/>