At Statehood:
May 22, 1958 U.S. Congressional Record

Rep. Dawson of Utah: “Now is the time to let her begin realizing her true potential, but if Alaska is to be given the duties and responsibilities of statehood, she must also be given a visible means of support....To provide the new State with this base for a going and growing economy...to grant some of the public lands to the State to be used and developed by her people. All grants include the mineral rights, but these must be retained by the State... In other words, the mineral rights will always belong to the people of Alaska, and never to private individuals. *Reflected in the Statehood Act*

House Report no. 634, “Admission of Alaska Into The Union”

“...Thus it appeared to the committee that this tremendous acreage of withdrawals might well embrace a preponderance of the more valuable resources needed by the new State to develop flourishing industries with which to support itself and its people.”
ALASKA STATE CONSTITUTION ARTICLE 08, NATURAL RESOURCES

Section 8.1 – Statement of Policy.

It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

Section 8.2 – General Authority.

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.
Right of Way Leasing Act

AS 38.35.010 (a) ...It is the policy of this state that the development, use, and control of a pipeline transportation system be directed to make the maximum contribution to the development of the human resources of this state, the increase in the standard of living for all of its residents, the advancement of existing and potential sectors of its economy, the strengthening of free competition in its private enterprise system, and the careful protection of its incomparable natural environment.

Stranded Gas Development Act

AS 43.82.010 The purpose of this chapter is to (1) encourage new investment to develop the state's stranded gas resources by authorizing establishment of fiscal terms related to that new investment without significantly altering tax and royalty methodologies and rates on existing oil and gas infrastructure and production;

(2) allow the fiscal terms applicable to a qualified sponsor or the members of a qualified sponsor group, with respect to a qualified project, to be tailored to the particular economic conditions of the project and to establish those fiscal terms in advance with as much certainty as the Constitution of the State of Alaska allows; and

(3) maximize the benefit to the people of the state of the development of the state's stranded gas resources.
AGPA Mission

- To enable the development of Alaska’s North Slope gas to the maximum benefit of all Alaskans, including project revenues, Alaska hire throughout construction and operation and additional petrochemical industries

- To provide maximum access to Alaska’s natural gas throughout Alaska

- To bring Alaskan natural gas to North American markets at long-term competitive prices

- To bring the benefits of a tax-exempt structure to a North Slope gas pipeline project
ALASKA GASLINE PORT AUTHORITY

CITY OF VALDEZ

Mayor Bert Cottle
Mayor Dave Cobb
Mayor John Kelsey

FAIRBANKS NORTH STAR BOROUGH

Mayor Jim Whitaker
Atty. General Charlie Cole, Esq.
Barbara Schuhmann, Esq.

NORTH SLOPE BOROUGH

Dennis Roper
Richard Glenn
Harold Curran, Esq.
Project Team

- Alaska Gasline Port Authority
- State of Alaska
- Bechtel Corporation – technical and development support
- Taylor DeJongh – financial analysis and formation
- O’Melveny and Myers – development counsel
- Sempra LNG – project development and LNG marketing
Privately owned with headquarters in San Francisco, Bechtel has 40 offices around the world. In 2003 Bechtel had $16.3 billion in revenues and has been the No. 1 ranked U.S. contractor six years running.

Bechtel is one of the world's premier engineering, construction, and project management companies. 40,000 Bechtel employees are teamed with customers, partners, and suppliers on a wide range of projects in nearly 60 countries.

Bechtel has completed more than 22,000 projects in 140 countries, including Hoover Dam, the Channel Tunnel, and Hong Kong International Airport. Bechtel’s 106 years of achievements include: 85,000 kilometers of pipeline, 420 fossil-fired power plants 27,500 kilometers of highways, 150 nuclear power units, 10,000 kilometers of railroads, 375 major chemical & petrochemical projects, 350 mining and metals projects, 50,000 new and upgraded wireless sites.

www.bechtel.com
Taylor-DeJongh is an independent, specialist merchant banking firm that provides capital solutions to its energy, oil and gas and infrastructure clients globally.

Taylor-DeJongh has structured, negotiated and financed $50 billion of international capital placements in 75 countries and has advised on eleven "Deals of the Year" over the past 5 years.

The firm has in depth experience in financing infrastructure projects in:
- Oil and Gas
- LNG
- Petrochemicals
- Pipelines
- Power Generation

Taylor-DeJongh has ranked consistently in the top 10 Financial Advisors globally since 1995.

In 2003, ranked as the #1 Oil and Gas advisor and #1 Power advisor globally.

Named "2003 Oil & Gas Financial Advisor of the Year".

www.taylor-dejongh.com
Established in 1885, the firm maintains 14 offices around the world, with more than 900 attorneys.

O'Melveny & Myers' capabilities span virtually every area of legal practice, including Capital Markets; Corporate Finance; Entertainment and Media; Intellectual Property and Technology; Labor and Employment; Litigation; Mergers and Acquisitions; Private Equity; Project Development and Real Estate; Restructuring and Insolvency; Securities; Tax; Trade and International Law; and Global Enforcement and Criminal Defense.

O'Melveny is the winner of Asian Legal Business' inaugural "China Deals of the Year Award" in the Energy, Mining & Resources category. The honor recognizes the firm's role as international counsel to Guangdong Dapeng LNG Company in its negotiation and execution of long-term sales contracts worth more than US$20 billion with gas purchasers.
SEMOPRA ENERGY

• A Fortune 500 energy-services company, based in San Diego, California

• Second largest gas marketer in North America

• With nearly **13,000 employees worldwide**, the Sempra Energy companies develop energy infrastructure, operate utilities, and provide related products and services to more than 10 million customers in the United States, Europe, Canada, Mexico, South America and Asia. Sempra serves the largest customer base of any energy utility in the United States through their California utilities

• Sempra LNG is developing three liquefied natural gas (LNG) receipt terminals in North America. LNG imports will help bridge the gap between supply and demand of natural gas.

www.sempra.com
Top North American Gas Marketers

By wholesale physical volumes sold, third quarter 2004 (in Bcf/day)

1. BP 23.9
2. Sempra 13.5
3. ConocoPhillips 10.5
4. Coral (Shell) 9.3
5. Nexen 5.1
12. ExxonMobil 2.8

Source: Platts Gas Daily
• All Alaska gas line from North Slope to Valdez

• Spur line from Glennallen to Mat-Su for distribution into the Southcentral gas grid

• Potential additional pipeline to Canadian border to take gas to U.S. midwest markets
Voters approve ballot propositions establishing authority by an average of 80%

IRS granted the letter of decision that, as a governmental entity, the Port Authority is exempt from federal taxation

Completed project development plan; engineering, procurement and construction plan; project cost estimate and alternatives analyses

Completed initial economic and financial models

Protocol agreement with the State

President signs Alaska Natural Gas Pipeline Act into law, authorizing federal loan guarantee; Congress clarifies applicability to an all Alaska project

Completed agreement regarding project development with Sempra LNG including West Coast gas marketing; continued negotiations with Alaskan gas purchasers

Obtained exclusive option for purchase of Yukon Pacific Corporation project permits

Presented project report and Pledge for Development
Pledge for Development

The Alaska Gasline Port Authority will:

I. Cause to be constructed, own and contract for operation of components of an All-Alaskan gas pipeline project.
II. Negotiate for the purchase of ANS gas.
III. Provide guaranteed gas supplies to Southcentral and other parts of Alaska.
IV. Provide for petrochemical industries in Alaska.
V. Market gas to West Coast consumers.
VI. Provide for maximum market opportunities for ANS natural gas.
VII. Provide a direct revenue sharing benefit to the State and each municipality.
VIII. Provide for a payment of “impact funds” to communities affected by construction of the project.
IX. Provide for Alaskan hire to the greatest extent allowable by law.
X. Provide for maximum competition for North Slope natural gas commercialization.
Direct Revenues to Municipalities
(by contract - not subject to legislative appropriation)

Direct Revenue Sharing to Municipalities from AGPA

$0 $50,000,000 $100,000,000 $150,000,000 $200,000,000 $250,000,000 $300,000,000

Revenue Sharing Comparison

Revenue Sharing Comparison

- AGPA Revenue Sharing to Municipalities
- State Revenue Sharing to Municipalities
Unique Benefits of Port Authority Project Structure

- Exemption from federal income tax that provides substantial benefits to project stakeholders including: State of Alaska, all municipalities, in-state consumers, producers and pipeline operators
- Lower hurdle rate for economic feasibility
- Competitive access to pipeline capacity
- Guaranteed gas supply for in-state use
- Maximum market diversification
- All Alaska project: Jobs and revenues for Alaskans throughout construction and operation
- Provides a maximum benefit to Alaskans
What is the Preferred Project of Alaskans?

October, 1999 – By an average of 80%, FNSB, North Slope Borough and Valdez Voters authorize the Alaska Gasline Port Authority to build an All-Alaska Gasline

November, 2002 - 62% of statewide voters authorize the Alaska Natural Gas Development Authority to build an All-Alaska Gasline

November, 2004 – Alaska Municipal League unanimously votes to support an All-Alaska Gasline

November, 2004 – Alaska Congressional Delegation clarifies law guaranteeing that federal incentives apply to an All-Alaska Gasline
Annual Projected Revenues

Port Authority All-Alaska Project:
*Based on second year of operation (3 bcf/d)
$1.9 Billion to Producers from sale of gas
$627 Million to State severance and royalties
$166 Million prorated to Municipalities from sale of gas

Canadian Highway Project:
*Based on highest year projection (4.5 bcf/d)
$2.7 Billion to Producers from sale of gas
$300 Million to State severance and royalties
$0 to Municipalities from sale of gas
Annual Projected Revenues
Comparative sized projects

Port Authority All-Alaska Project:
*Based on second year of operation (4.5 bcf/d)
$2.7 Billion to Producers from sale of gas
$878 Million to State severance and royalties
$232 Million prorated to Municipalities from sale of gas

Canadian Highway Project:
*Based on highest year projection (4.5 bcf/d)
$2.7 Billion to Producers from sale of gas
$300 Million to State severance and royalties
$0 to Municipalities from sale of gas
## Jobs Comparison: Construction of Project

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<thead>
<tr>
<th></th>
<th>All-Alaska Gasline</th>
<th>Canadian Highway Project</th>
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</thead>
<tbody>
<tr>
<td>Total project jobs</td>
<td>7,600</td>
<td>6,468</td>
</tr>
<tr>
<td>Relative to construction:</td>
<td>7,600</td>
<td>6,468</td>
</tr>
<tr>
<td>Total jobs within Alaska:</td>
<td>7,600</td>
<td>2,214</td>
</tr>
<tr>
<td></td>
<td>100% of project jobs in Alaska</td>
<td>34% of project jobs in Alaska</td>
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</table>
Alaskan Jobs Comparison: Value Added Petrochemical Industry

All-Alaska Project: ↑ 5,000 in Alaska

Canadian Highway Project: 0 in Alaska

*proposed project leaves no natural gas liquids in Alaska
Strategic Considerations

- If Alaskan LNG is delayed, foreign LNG suppliers will capture U.S. West Coast market
  - Established foreign LNG suppliers will capture future West Coast market opportunities in small (<0.5 Bcfd) increments
  - Future Alaskan gas expansions will be forced into Mid-West markets – there will be no alternative market

- If Alaska LNG goes soon, Mid-West market remains available for expansions via either Alcan Highway or Mackenzie Valley routes

- Capturing the West Coast market now, preserves the opportunity to capture both West Coast and Mid-West markets which will stimulate development of additional Alaska gas reserves that will not otherwise occur
A Project Based in Law

- Statehood Act: Section 6(i) “Mineral deposits in such lands shall be subject to lease by the State... Provided, that any lands or minerals hereafter disposed of contrary to the provisions of this section shall be forfeited to the United States...”

- Alaska State Constitution: Article 8, Sections 1& 2: “…maximum use consistent with the public interest.” “…for the maximum benefit of its people.”

- Right of Way Leasing Act: AS 38.35.010 (a) “make the maximum contribution to the development of the human resources of this state, the increase in the standard of living for all of its residents, the advancement of existing and potential sectors of its economy,...”

- Stranded Gas Development Act: AS 43.82.010 “The purpose of this chapter is to...(3) maximize the benefit to the people of the state of the development of the state’s stranded gas resources.”
A Project Based on the Will of the People

1999 – By an average of **80%**, Fairbanks North Star Borough, North Slope Borough and Valdez Voters authorize the Alaska Gasline Port Authority to build an All-Alaska Gasline.

2002 - **62%** of Statewide Voters authorize the Alaska Natural Gas Development Authority to build an All-Alaska Gasline.

2004 – Alaska Municipal League unanimously votes to support an All-Alaska Gasline.
A Project Based on Economics

*Baseline annual projection on 3 – 4.5 bcf/d project

$1.9 – $2.7 Billion to Producers
$627 - $878 Million to State
$166 - $232 Million to Municipalities
All-Alaska Gasline Project

“The Future Is On The Line”

http://alaskagaslineportauthority.com/