

# STATE OF ALASKA

*SARAH PALIN, GOVERNOR*

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

## **ALASKA GASLINE INDUCEMENT ACT**

**For Immediate Release** - On Thursday June 11, the Governor's Gasline Team Lead, Marty Rutherford, issued a letter to TransCanada's Tony Palmer stating that the proposed project agreement between TransCanada Corporation and ExxonMobil would not require state approval as an amendment or modification of the license issued under the Alaska Gasline Inducement Act (AGIA).

Under the agreement, ExxonMobil will work with Alaska's project licensee, TransCanada Alaska (TC Alaska), to progress the AGIA licensed gas pipeline project. TC Alaska's obligations under the AGIA license will not be impacted by the new partnership, nor is Exxon's participation contingent upon any action or concession from the State. "The partnership is an exciting step forward," said Commissioner Tom Irwin. "It demonstrates just the type of commercial alignment which AGIA was designed to encourage."

By adopting the AGIA process, the legislature established a clear set of commercial terms for developing a pipeline to commercialize Alaska's North Slope natural gas resources. Through an open and transparent bidding process, TC Alaska was awarded the state's AGIA license. Under the license, TC Alaska has committed to advance a gas pipeline project to the point of securing a certificate of public convenience and necessity (CPCN) from the Federal Energy Regulatory Commission (FERC). In addition, the AGIA license ensures that the pipeline will be operated to provide low cost tariffs and open access for new gas shippers. In exchange for those commitments, the state will invest up to \$500 million in the development of the project, and provide certain tax and royalty terms for gas which is committed during the initial Open Season.

Under the agreement, the project schedule will remain unchanged. An initial Open Season will be completed in July 2010, during which potential shippers will be provided an opportunity to make shipping commitments for capacity in the pipeline, either to Alberta and into the North American gas pipeline network, or to Valdez for liquefaction and shipment as LNG.

ExxonMobil's actions show that they believe that working with TransCanada and the state through AGIA is the best opportunity for aligning the parties to move this project forward. They bring world-class expertise to the project in construction planning, regulatory and environmental work, as well as technical capability and prior study information that will enhance development of the Gas Treatment Plant. Their early collaboration with TC Alaska will accelerate pre-Open Season spending to roughly \$150 million, and will help to ensure a project design that is tailored to meet the technical needs of potential gas shippers.

The Commissioners indicated that there will be additional opportunities to enhance stakeholder alignment. "This new partnership is further confirmation of the project's commercial viability" said Commissioner Pat Galvin. "This event continues the undeniable progress in this long lead-time project. An AGIA gasline provides Alaskans with a source of careers, affordable energy, and secure state revenue. Producers and new explorers in the state will benefit from an affordable and accessible means of monetizing Alaska's vast natural gas resources. Americans will receive a plentiful and reliable source of clean energy, and a step towards energy independence."

For supporting documents and further information please visit <http://www.gov.state.ak.us/agia/>

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