

# Alaska's Status Quo

- For oil and gas arrangements Alaska uses
  - ◆ Lease structure
  - ◆ Royalty / Tax regime
  - ◆ Manages through regulation

# International Comparisons

## ➤ Alberta, Canada

- ◆ Lease
- ◆ No Stabilization

## ➤ Deepwater US

- ◆ Lease
- ◆ No Stabilization

## ➤ Norway

- ◆ Lease
- ◆ No Stabilization

## ➤ UK

- ◆ Lease
- ◆ No Stabilization

## ➤ Angola

- ◆ Production Sharing
- ◆ Provides Stabilization

## ➤ Azerbaijan

- ◆ Production Sharing
- ◆ Provides Stabilization

## ➤ Kazakhstan

- ◆ Production Sharing
- ◆ Provides Stabilization

## ➤ Nigeria

- ◆ Production Sharing
- ◆ Provides Stabilization

## ➤ Qatar

- ◆ Production Sharing
- ◆ Provides Stabilization

## ➤ Russia

- ◆ Production Sharing
- ◆ Provides Stabilization

# Basis for Comparison

- Most Lease, Royalty / Tax regimes don't provide fiscal stabilization
  - ◆ Canada, Norway, UK, US
- Many production sharing regimes provide fiscal stabilization
  - ◆ Angola, Azerbaijan, Nigeria, Kazakhstan, Qatar, Russia
- Comparisons are powerful tools and must be considered in context

# Comparison of PSC and Alaska FC

## PSC

### ➤ Parties

- ◆ Host Government, as regulator
- ◆ NOC, as government entrepreneur
- ◆ Local subsidiary or branch, as Investor
- ◆ Parent company or bank, as guarantor of Investor

## SGDA FC

### ➤ Parties

- ◆ State, as entrepreneur and guarantor of Ak-subs
- ◆ Ak-subs, as members of Midstream LLCs
- ◆ Producers and Midstream LLCs, as Participants
- ◆ No parent company or bank as guarantor of Participants

# Comparison of PSC and Alaska FC

## PSC

### ➤ Area

- ◆ Single block
- ◆ Ringfenced by block
- ◆ If Investor does not commit to develop during primary term, the PSC terminates and block is relinquished

## SGDA FC

### ➤ Area

- ◆ All of the Producers' ANS leases and units with right to add and remove
- ◆ Not ringfenced
- ◆ Not subject to relinquishment

# Comparison of PSC and Alaska FC

## PSC

### ➤ Term

- ◆ Primary term: 4-8 years to perform MWC and commit to develop
- ◆ If Investor declares “commerciality and Host Gov’t approves POD,
  - 20-30 years for oil
  - 30-45 years for gas

## SGDA FC

### ➤ Term

- ◆ No primary term to perform QPP or commit to develop
- ◆ If Mainline LLC declares Project Sanction
  - 30 years for oil
  - 45 years for gas

# Comparison of PSC and Alaska FC

## PSC

- Work Commitment
  - ◆ Investor must perform MWC
    - If Investors fail to do MWC during primary term, Host Gov't may terminate PSC and require Investors to pay MFC
  - ◆ If Investor declares “commerciality” within primary term, then Investor must prepare POD
    - POD is subject to Host Gov't approval
  - ◆ If Host Gov't approves POD, then Investor must develop per annual WP&B approved by Host Gov't
    - If Investor fails to commit to develop during primary term, the Host Gov't may terminate PSC

## SGDA FC

- Work Commitment
  - ◆ Participants must perform QPP with “Diligence”
  - ◆ Mainline LLC can modify QPP scope and timeline
    - State role in Mainline LLC decisions is not known
    - No State approval or consent is required
  - ◆ If State can prove Participants aren't acting with “Diligence”, State's remedy is to terminate FC

# Comparison of PSC and Alaska FC

## PSC

- Management & Control
  - ◆ NOC participates in all upstream and midstream decisions
  - ◆ Host Gov't fully regulates operations per local law
  - ◆ Host Gov't and NOC approve annual WP&B and POD

## SGDA FC

- Management & Control
  - ◆ Neither State nor Ak-subs participate in upstream decisions
  - ◆ Ak-subs may participate in midstream decisions, extent is unknown
  - ◆ FERC / NEB exclusively regulate the Project
  - ◆ State reimburses for Loss resulting from RCA regulation
  - ◆ DNR's authority to regulate is reduced

# Comparison of PSC and Alaska FC

## PSC

- Government Take
  - ◆ Royalty, either
    - RIV – world market price net of transportation costs, or
    - RIK – NOC takes oil and gas in in marketable condition and pays transportation and marketing costs
  - ◆ Profit Share, either
    - PSIV – world market price net of transportation costs
    - PSIK – NOC takes oil and gas in in marketable condition and pays transportation and marketing costs
  - ◆ Local supply obligation and government right to requisition
  - ◆ Taxes

## SGDA FC

- Government Take
  - ◆ Royalty
    - RIK – AK Gasco takes gas not in marketable condition (gas + impurities) and pays gathering, treatment, transportation, marketing and disposal costs
  - ◆ Taxes
    - TIK – AK Gasco takes gas not in marketable condition (gas + impurities) and pays gathering, treatment, transportation, marketing and disposal costs
  - ◆ No local supply obligation
  - ◆ PILT's and other "Fiscal Obligations"

# Comparison of PSC and Alaska FC

## PSC

- Ownership of Assets
  - ◆ NOC owns all assets
  - ◆ Investor pays for and has a right to use assets

## SGDA FC

- Ownership of Assets
  - ◆ Producers pay for and own production assets
  - ◆ LLCs will be formed to pay for and own Upstream Transmission, GTP, Mainline and NGL processing assets
  - ◆ State will own
    - AK Transco ≈ TBD% member of Upstream Transmission LLC
    - AK Treatco ≈ 20% member of GTP LLC
    - AK Pipeco ≈ 20% member of Mainline LLC
    - AK Gasco = 100% to market RIK and TIK gas