

CONFIDENTIALITY IN LNG PROJECTS: ISSUES FOR ALASKA

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THE COMMERCIAL CASE FOR CONFIDENTIALITY

Difference between confidentiality **during** negotiations and **after** an agreement has been reached

After agreement, much of **the need for confidentiality disappears** and agreements can be released

Confidentiality mostly to protect **negotiating position** (including the state's), not about keeping secrets

Even so, **not all parties will want all the details** to be made public

Negotiating in open is like playing poker with your cards showing

Key **questions** for Alaska

- . How much information do you need to pull the trigger?
- . What are you willing to give up in order to have more transparency?
- . How will the process work?

WHAT DO WE KNOW ABOUT LNG PROJECTS AT FID?

- Technical** Lots of info—number of wells, route of pipelines, technical specifications, footprint
- Impacts** Lots of info on how project affects the local environment
- Cost** Usually a total and maybe key aggregates (\$ for wells, pipelines, LNG plant, etc.)
- Finance** Basic structure, lenders (commercial or official), tenor (length), rarely price
- Commercial** Number of contracts and counter-parties (volumes, duration, and maybe terms of sales like FOB/DES, destination flexibility); parties might report indexation basis (e.g. oil-linked), and more rarely other terms (e.g. S-curves); rarely mention of contract value (e.g. “\$20 billion over 20 years”), but without assumptions or sensitivity; almost never: actual price formula.

How much information do you need to pull the trigger?

LNG projects generate loads of information—having and processing all of it is impractical. Debate in Norwegian parliament for Snøhvit LNG project could offer pathway: record shows no mention of contract prices, but mentions expected return for the project, expected revenues (discounted to the present) and basic sensitivity numbers (higher/lower prices, delays, etc.).

What are you willing to give up in order to have more transparency?

To our knowledge, only one LNG project has moved forward with most agreements available to public (Cheniere Energy's Sabine Pass); such approach boasts simplicity but it limits flexibility; it is easier to do in a simple negotiation over one contract (e.g. LNG sales) but harder when juggling multiple goals.

How will the process work?

SB 138: administration negotiates with input from the Legislature in both public hearings and executive session; and administration brings back agreement to Legislature for ratification. That plan seems superior to either full disclosure at all times or full confidentiality (SGDA experience).

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