

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G23-08

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY RELATING TO THE APPROVAL OF THE EXPENDITURE OF FUNDS FOR THE PURPOSE OF INITIAL PLANNING AND ANALYSIS WITH RESPECT TO DEVELOPING AND FINANCING AIDEA PROJECTS, INFRASTRUCTURE DEVELOPMENT, ENERGY DEVELOPMENT PROJECTS, LAND AND PROJECT SITE DEVELOPMENT, AND INTERMODAL TRANSPORTATION, INDUSTRIAL TRANSPORTATION, INDUSTRIAL ACCESS ROADS AND PORT(S)

WHEREAS, the Alaska Industrial Development and Export Authority (“AIDEA” or “Authority”) has the ability under AS 44.88.172 to own and operate development projects by itself or in conjunction with the private sector that provides facilities needed to bring natural resources and goods to market, or a plant or facility for use in connection with a business enterprise;

WHEREAS, AIDEA under AS 44.88.670 is authorized to develop and finance the construction, improvement, rehabilitation, and expansion of qualified energy projects;

WHEREAS, under AS 44.88.820 and AS 44.88.830 AIDEA has the ability to finance Arctic infrastructure development;

WHEREAS, current global economic conditions, including volatile equity markets, volatile interest rates, and an increase in certain commodity prices have combined to create renewed interest in natural resource and mineral exploration in Alaska, particularly with respect to strategic metals;

WHEREAS, the costs of transporting raw and refined mineral and natural resource commodities in Alaska, combined with the provision of energy sufficient to undertake extraction and refining, can be so costly as to make otherwise attractive projects un-financeable in some cases, absent the availability of gap financing and patient capital;

WHEREAS, AIDEA's statutory purposes include supporting industrial development, alleviating unemployment, developing natural resources and qualified energy projects throughout the state in order to facilitate the development of the state's economy;

WHEREAS, the opening of new mining areas by the construction of industrial roads, the diversification of the types of minerals produced, bringing oil and gas fields into production, port development, coupled with financing new sources of energy and utility creation, industrial development, land use and project site development, and manufacturing capacity are all important methods of supporting economic development;

WHEREAS, in-state processing of rare earth metals and other minerals could create long-term jobs and lead to industrial development utilizing state-of-the-art technologies in the state;

WHEREAS, the Authority can support the public policy goals of opening new mining and oil and gas areas and diversifying the types of minerals produced in order to create jobs, diversify the economy, and support economic development through the construction of intermodal transportation systems (industrial roads, rail, ports, and related manufacturing capacity) that the Authority owns and operates, by itself or with the private sector;

WHEREAS, the Authority is interested in the development of port(s);

WHEREAS, AIDEA is particularly well placed to serve as the focus of such state efforts to monetize its natural resources, finance new sources of energy, and create economic development by financing industrial projects, energy projects, and intermodal transportation systems to expand and diversify the economy and create job opportunities,

WHEREAS, evaluation of development projects and supporting industrial capacity, the Authority intends to either finance or own and operate requires that preliminary analyses, feasibility reviews, and concept planning be undertaken well in advance of a determination that a particular

proposed project will become a development finance project, and that these pre-feasibility assessments may or may not be reimbursed.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority is authorized to engage consultants, financial advisors, attorneys, engineers, and other appropriate professionals (“Professionals”) to evaluate the development of projects the Authority intends to own and operate or finance in the future that are recommended by staff and selected by the Executive Director and to assess appropriate methods for the Authority’s financing, ownership or operation of such projects, through financial analyses and creation of models and other planning devices with respect to these potential projects.

Section 2. The Authority is authorized, when appropriate, to enter into pre-development agreements with private sector companies with respect to certain mining, petroleum exploration, industrial road and port development projects, the construction of infrastructure, land use and project site development, intermodal transportation facilities, industrial facilities, and energy projects.

Section 3. The Authority may utilize up to \$4,500,000 in assets of the Economic Development Account, the Sustainable Energy and Transmission Fund (SETS), and the Arctic Infrastructure Development Fund (AIDF) to undertake the performance of the pre-feasibility, planning, and analysis tasks for projects that relate to the development of natural resources, industrial access roads, ports, port facilities, ore terminals, ore processing facilities, energy facilities, energy projects, Arctic infrastructure, and industrial manufacturing facilities.

Section 4. The Executive Director and senior management of the Authority will report to the Board on the progress on these matters and expenditures made on at least a quarterly basis, providing both a written status report and a financial report of expenditures.

DATED at Anchorage, Alaska, this 11 day of April, 2023.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



Chair



Secretary



MEMORANDUM

TO: Board of Directors
Alaska Industrial Development and Export Authority

FROM: Randy Ruaro, Executive Director

DATE: April 11, 2023

SUBJECT: Relating to the approval of \$4.5M for the purpose of initial planning and analysis for developing AIDEA projects, that include but not limited to energy and infrastructure projects for natural resource development, growth and diversification of Alaska's economy, and development of industrial facilities

Resolution Background: Market Conditions

The Alaska Industrial Development and Export Authority ("AIDEA," or "Authority"), as a development authority, is charged with facilitating and supporting economic development and job creation in the context of changing market conditions. At present, there are several market trends that impact the Authority's mission. Current global economic conditions are characterized by volatile markets coupled with changing interest rates. This situation is also characterized by uneven market performance, which creates uncertainty and may impede investment commitments. At the same time, the transition of the economy toward new modes of transportation and energy production has led to an increased need for domestic oil and gas production, new fuels, and the development of domestic sources of strategic minerals and metals that are all available in Alaska.

Another trend in the market is rising prices for many types of commodities, especially minerals. AIDEA sees this trend as an opportunity for the increased and accelerated development of the State's natural resources. There have been significant increases in the price of commodities present in Alaska, such as gold, and copper.

However, the costs of accessing and transporting both raw and refined minerals and natural resource commodities in Alaska remain significantly higher than in other areas of the United States. These higher costs are occasioned by the relative isolation of the areas in which the resources occur. Costs of development are also affected by the lack of access roads to project sites and the lack of energy at these sites sufficient to undertake extraction and refining. Providing the needed access and energy can be so costly as to make otherwise attractive projects un-financeable.

AIDEA's Interest in Supporting Mineral Development

AIDEA is cognizant that the State has placed a high priority on providing support for new mineral, oil, and gas projects as well as the development of new types and sources of energy. These projects are important to economic development because they create jobs and diversify the economy. As part of its strategic planning process, the Authority has identified the opening of new mining areas, the diversification of the types of minerals produced, bringing oil and gas fields into

production, and the development of new sources of energy coupled with new industrial facilities as important economic development goals.

These types of development could also lead to increased industrial development in Alaska. AIDEA is interested in more than extraction. The Authority recognizes that developing the capability for in-state industry could create many long-term jobs and lead to other private-sector investments being made in the State's economy. Furthermore, the Authority's statutes support this type of industrial effort because natural resource development serves to increase the number of traded sectors in the State's economy.

Development of Intermodal Transportation Systems

Resolution No. G23-08 seeks to provide a mechanism under which AIDEA can provide new and additional planning support for the development projects needed to grow and diversify the entire economy of the State of Alaska. The Authority intends to finance or own and operate parts of these projects either by itself or in partnership with the private sector. For example, AIDEA is interested in the development of intermodal transportation systems that are a mix of industrial roads, rails, and ports needed to bring natural resources, refined products, and goods to the market. As AIDEA has worked with developers, both in and outside of the State, and has learned that access to development sites and availability of energy at those sites are needed to spur development.

The Authority needs to conduct in-depth pre-feasibility studies for large-scale infrastructure projects. This will enable the agency to be in a position to own or operate development finance projects with the private sector. Unless there is a mechanism to make gap financing and patient capital available, many projects may not go forward, due to the high costs of site access and energy.

AIDEA's Need for Funds for Preliminary Project Assessments and for the Development of Intermodal Transportation

AIDEA is well placed to serve as the focus of some of the State's efforts to monetize its natural resources. It has experience with the Delong Mountain Transportation System and the Skagway Ore Terminal. AIDEA has experience with loans and with project development. The agency has bonding authority, access to bond counsel, and experience in issuing revenue and general obligation bonds. The development finance program has been used to support mine, oil and gas field production.

AIDEA needs the ability to conduct pre-feasibility studies of large projects. Such projects usually have long lead times. There is a need to conduct planning that does not fit into the traditional, reimbursable cost agreements that are a part of the development finance program. This planning will often be conducted in conjunction with a potential developer of a specified.

As AIDEA seeks to work with potential, private partners it will need to be prepared to contribute to that planning process. This Resolution seeks authorization for the Authority's management to expend up to \$4.5M on this planning effort.

This planning effort will have two essential components. One will be conducting feasibility reviews, preliminary finance analyses, and concept planning. This should be undertaken well in

advance of a potential development finance project or the execution of formal reimbursement agreements. Such planning can be a valuable way to develop a plan for economic development well in advance of a determination that a particular project is feasible and with the understanding that some of these pre-feasibility assessments may not be reimbursed.

The second planning component will be to develop, with the use of consultants, a pipeline of feasible infrastructure projects that could be developed as AIDEA-financed or owned-and-operated development finance projects. The focus will be on exploring specific projects that allow natural resources to be brought to market. Such development projects could include the construction of industrial access roads, ports, processing facilities, and land use and project site development, as well as energy-related projects tied to the development of these natural resource development projects.

Impact of the Resolution

AIDEA believes that the funds authorized by this Resolution would make long-range planning of development projects possible so that the Authority would invest or finance projects often in conjunction with private sector partners. This should assist in the development of new types of industrial facilities, the development of natural resource extraction and production efforts, and for development of new mining districts and oil and gas fields by providing needed infrastructure.

Undertaking pre-development planning would signal to the private markets that AIDEA is committed to broad-scale economic development and that the State of Alaska is open for business. It would permit the Authority to develop and consider the use of use new long-term programs designed to provide the gap financing and patient capital needed at times to make a large-scale development project possible.

AIDEA's management believes that this investment in pre-development planning will support AIDEA's capacity to meet its mission of promoting job growth and diversifying Alaska's economy, while at the same time increasing AIDEA's overall rate of return on project development in the future.

RECOMMENDATION:

Staff recommends approval of Resolution No. G23-08.