

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, April 17, 2024
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on April 17, 2024, at 10:30 am.

2. ROLL CALL BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Julie Sande (Commissioner, DCCED); Adam Crum (Commissioner, DOR); Albert Fogle (Public Member); and Randy Eledge (Public Member). Absent: Bill Vivlamore (Public Member). A quorum was established.

3. AGENDA APPROVAL

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda as presented. Motion seconded by Mr. Fogle.

The motion to adopt the agenda passed without objection.

4. PRIOR MINUTES – March 6, 2024

MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of March 6, 2024. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of March 6, 2024 passed without objection.

5. PUBLIC COMMENTS – None

There were no members of the public online or in-person who requested to comment. Chair Pruhs requested that Raymie Hamann, AIDEA, make him aware if anyone comes online at a later point.

6. NEW BUSINESS

MOTION: A motion was made by Vice-Chair Kendig to enter into executive session for the purpose of discussing the following: Alyeschem discussion, legislative issues update, matters related to AIDEA's finances and budget, and other matters related to AIDEA and subject to specific legal advice, which is subject to the attorney/client privilege and communications. These matters, which if discussed in public, could have an adverse effect on the finances of AIDEA, are matters that are attorney/client privilege, and matters involving consideration of government records that by law are not subject to public

disclosure due to executive or deliberative process privilege or other law. The executive session and matters discussed therein are proper subjects for an executive session under the Alaska Open Meetings Act, reference AS 44.62.310 (C)1, 3, and 4, and the Alaska Public Records Act. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to enter into Executive Session passed unanimously.

6A. EXECUTIVE SESSION: 10:35 am. Confidential and deliberative matters related to: Alyeschem discussion, legislative issues update, AIDEA's finances, budget, and project applications which are subject to the deliberative process privilege, and other matters related to AIDEA and subject to specific legal advice and attorney-client privileged.

The Board reconvened its regular meeting at 2:13 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters directly protected from public disclosure by the Open Meetings Act.

6B. Alyeschem Presentation

Randy Ruaro, Executive Director, introduced the representative from Alyeschem to provide an update on the methanol and ultra low sulfur diesel (ULSD) plant on the North Slope. JR Wilcox reviewed the PowerPoint presentation. He discussed the vision of Alyeschem on the North Slope is to develop a small petrochemical facility in Prudhoe Bay that will make methanol and hydrogen from natural gas, CO₂, and water. The hydrogen will be used to treat local fuel to make ULSD. This will eliminate the cost, risk, and emissions from transporting the two highest-volume imports to the Slope. Alyeschem will create stable revenue for its investors while improving the economics for everyone.

Mr. Wilcox noted methanol is the simplest chemical that can be made from natural gas, and yet, it is imported to the North Slope thousands of miles away from Brunei, Trinidad, and the Gulf Coast. Mr. Wilcox explained that only high sulfur diesel is made on the North Slope and cannot be burned in engines because of the sulfur content. Currently, diesel must be imported to the North Slope.

Mr. Fogle asked if he understands correctly that the oil on the North Slope gets piped down to Valdez, then sent on tankers to Tacoma to be refined and then sent back to the North Slope as ULSD. Mr. Wilcox agreed. Mr. Fogle asked if the Alyeschem plant will eliminate that whole process. Mr. Wilcox agreed. The ULSD will be made closest to the point of consumption.

Mr. Wilcox explained that methanol is used as freeze protection on the North Slope. The methanol revenue will be based on tolls and will not fluctuate with commodity prices. The plant will be sized to satisfy the potential methanol demand on the North Slope. Alyeschem will be able to price the methanol below current competitors.

Mr. Wilcox showed a North Slope aerial photo of what is affectionately known as the "AIDEA Pad." He noted that Harvest Midstream is building a liquefied natural gas (LNG) plant on half of

the pad, and Alyeschem is building its plant on the other half of the pad. The pad is located immediately south of Flow Station 3 and 1,000 feet from the main gas line through Prudhoe Bay. Alyeschem will be the only reformer tied to over 7 Bcf per day of stranded gas.

Mr. Wilcox explained that the Department of Natural Resources (DNR) lease can be amended to expand the pad if future growth of the facility is needed. He believes that as the industrial site is developed, the next iterative project will be less expensive, which unlocks the potential for innovation and experimentation on the North Slope.

Mr. Wilcox discussed the 3D rendering of the plant as shown in the presentation. Approximately 150 in-state construction jobs will be created during the construction phase. Approximately 10 to 20 direct operation jobs will be created for the long-term. The biggest economic impact is strengthening supply chains and lowering costs on the North Slope, while contributing to more efficiency. This increased efficiency has an enormous multiplier effect. The plant will be a catalyst for growth by relieving pressure on the Dalton Highway that is critical for the development of Willow and Pikka. Additionally, the petrochemical plant will provide the possibility to unlock heavy oil and add value to natural gas. It will also be a catalyst for energy transition to alternatives fuels and will allow Alaska to continue monetizing the natural hydrocarbon resources and utilizing the energy as markets demand.

Mr. Wilcox explained that health, safety, and environment (HSE) impacts of the project improve safety, decreases spill risks, and decrease emissions. He gave an overview of the project status. The plant location and pipeline right-of-way has been acquired. The gas supply contract has been executed. The major permits have been acquired. Major equity partners have been established. The offtake contracts are in final form. Approximately 30% of the engineering and Class III estimates are completed. Offsite construction is expected to begin this year and the onsite construction is expected to begin in the summer of 2025.

Mr. Eledge asked if the project could be scaled. Mr. Wilcox agreed the plant could be expanded for methanol and ULSD production, as well as expansion, depending on the market demand. The extensive range of additional opportunities include the smallest of scales of making windshield wiper fluid that currently costs \$14 per gallon, to making dimethyl ether, which is one of the most promising ways to unlock the almost trillion-dollar untapped heavy oil resource on the North Slope.

Commissioner Crum asked if methanol is currently produced in Alaska. Mr. Wilcox explained that methanol is not currently produced in Alaska. This plant will produce a new product from Alaska's resources. There were no other questions.

6C. Resolution No. G24-02 – Amendment to AIDEA Resolution No. G12-04 AIDEA Authorizing Loans to the Alaska Energy Authority

Mr. Ruaro explained that prior resolutions of the Board have allowed Alaska Energy Authority (AEA) to borrow on the capital of AIDEA at no interest rate. This resolution would amend prior resolutions to allow AIDEA to negotiate, discuss, and enter into actual arrangements with AEA for payment of interest on the loans.

Chair Pruhs asked if the interest rate negotiations come back before the AIDEA Board for final approval. Mr. Ruaro explained that at the top of page three of this resolution, it specifies a 5.25% interest rate, which would be adjusted quarterly based upon the previous quarter returns of AIDEA's revolving fund account. Staff recommends approval of the resolution and believes it is a reasonable business-like arrangement with AEA. Mr. Ruaro discussed the timing issue to adopt the resolution to attempt to fit in with the federal indirect rate.

Mr. Fogle asked if the AEA Executive Director is supportive of the interest rate for the loans. Mr. Ruaro believes that the AEA Executive Director is supportive, as long as AEA has a funding source and the ability to pay the low interest rate. Mr. Ruaro noted the possibility of additional steps that AEA could take to reduce the borrowed amount which would reduce the payment. Mr. Ruaro explained that this new interest rate is on the working capital loan fund that AIDEA makes available to AEA each year. There were no other questions.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution G24-02. Motion seconded by Mr. Fogle.

Commissioner Sande requested verification from Mr. Ruaro that this resolution is allowed within AIDEA's bylaws or in statute. Mr. Ruaro explained his understanding that this resolution is allowed.

A roll call was taken, and the motion to approve Resolution G24-02 passed unanimously.

6D. Resolution No. G24-03 – Resolution of the Alaska Industrial Development and Export Authority Approving Payment of Expenses Related to the Ambler Project

Chair Pruhs read Item 6D. from his agenda. Mr. Ruaro advised that the description in Chair Pruhs' agenda is incorrect. The resolution approves an additional payment to the Department of Law (DOL) for prior expenses incurred and the resolution authorizes, but does not require, an additional amount from the Arctic Infrastructure Development Fund (AIDF) to pay legal fees associated with the Ambler Road Project. Legal strategy will be focused on the Alaska National Interest Lands Conservation Act (ANILCA) section that guarantees access.

Chair Pruhs requested Mr. Ruaro read the correct resolution description into the record. Mr. Ruaro read; "Resolution G24-03, Resolution of the Alaska Industrial Development and Export Authority approving payment of expenses related to the Ambler Road Project."

Chair Pruhs brought the Board's attention to Section 3. Authorizing expenditures of \$750,000. Chair Pruhs asked if the expenditures are project related or overhead related. Mr. Ruaro explained that funding is not subject to the cost sharing agreement with the project and will come from AIDEA receipts.

Chair Pruhs asked if there is a question from the Board whether to refrain on voting until future meetings occur with the Administration regarding funding sources for resource litigation.

MOTION: A motion was made by Vice-Chair Kendig to amend Resolution G24-03 removing Section 3. from Resolution G24-03 until after the forementioned meeting. Motion seconded by Mr. Fogle.

Mr. Fogle asked for clarification that AIDEA is seeking funds from the State defense funds. Chair Pruhs agreed that AIDEA is seeking assistance from the State defense funds for litigation with Ambler Metals, as well as possibly both Alaska National Wildlife Refuge (ANWR) and West Susitna.

Mr. Fogle requested for the record that Mr. Ruaro discuss why this is important to AEA and to the State. Mr. Ruaro explained the legal issues involved with Ambler Road are specific to the road. One of the issues concerns ANILCA Section 201(b) indicating that the Secretary of Interior shall grant access from the haul road to the Ambler Mining District. Additionally, there are broader provisions of the Statehood Act and ANILCA that generally convey that wherever there is an inholding of State land and minerals, the Secretary shall grant access, and it is notwithstanding any other law.

Chair Pruhs suggested that legal expenses for each project are monitored, and that the running total is shared with the Board on a quarterly basis. Mr. Ruaro agreed.

The motion to amend Resolution G24-03 removing Section 3. from Resolution G24-03 until after the forementioned meeting passed without objection.

MOTION: A motion was made by Vice-Chair Kendig to table Resolution G24-03, as modified, removing Section 3. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution G24-03, as modified, removing Section 3, passed unanimously.

7. DIRECTORS COMMENTS

7A. Project Updates

Mr. Ruaro discussed that it is in the public arena that the Biden Administration is anticipated to issue a no-build decision for the Ambler Road, violating several federal laws. Staff will apprise the Board when a formal decision is issued. Staff will return to the Board with strategy and legal matters on how to proceed. Mr. Ruaro noted there was a legal filing in the ANWR case. Another legal filing will occur in about two weeks that will make the argument that the leases were cancelled illegally under the National Petroleum Reserve in Alaska (NPR) rules that apply by reference in the 2017 Tax Cut and Jobs Act.

The Ambler Access Project and the Alyeschem Project are the key projects AIDEA is monitoring. There were no questions.

7B. Loan Dashboard Report – Included

7C. Project Fact Sheets - Included

7D. Statistics Summary: Small Business Economic Development and Rural Development Initiative Fund Loan Programs

Mr. Ruaro explained that AIDEA maintains two small business loan programs that are housed at Department of Commerce. They total approximately \$24 million in funds and were recently defederalized to allow for additional flexibility in parameters. Activity in the programs has increased. Mr. Ruaro commented that Commissioner Sande is interested in improving the participation and interest in these programs. Mr. Ruaro clarified that these two small business loan programs are AIDEA programs by statute and have been operated by the Department of Commerce for decades.

Chair Pruhs inquired as to the delinquency rate of the programs. Mr. Ruaro noted that the Rural Development Initiative Fund has a delinquency rate of 7.3% and the Small Business Economic Development Program has no delinquencies. There are no concerns regarding the delinquency rate.

Commissioner Sande commented that the program is doing exceptional work on behalf of Alaskans in partnership with AIDEA. The efforts to defederalize the program are based on the goal of increasing the utilization of the loan fund to help Alaskans. Commissioner Sande explained that since the mid-1980s, the Department of Commerce has maintained a memorandum of understanding (MOU) with AIDEA for the Division of Investment to manage the funds. She believes the relationship has worked well and supports its continuation.

7E. Next regularly scheduled AIDEA Board Meeting Wednesday, May 15, 2024

8. BOARD COMMENTS

Mr. Fogle commented that he continues to be impressed by the efforts and attention to detail by Mr. Ruaro and his staff. He expressed appreciation to the team. Mr. Fogle requested that a marketing campaign is developed that highlights the good work of AIDEA and communicates that the reason AIDEA is fighting for ANWR and for Ambler is because it is a state's rights issue that the State was promised over 50 years ago. Mr. Ruaro agreed to increase the marketing efforts with that focus.

Commissioner Crum expressed appreciation to Mr. Ruaro for the consistent effort spent with the Legislature this year. He commented on the importance of concentrating on the long-term growth and prospects of AIDEA's role in the future of creating jobs and opportunity through the flexibility outlined in the bylaws that are specifically different from bank institutions.

Mr. Eledge commented on Mr. Ruaro's extensive background and complimented him. Mr. Eledge thanked Mr. Ruaro and believes that Mr. Ruaro's ability to grasp the situation has helped AIDEA.

Vice-Chair Kendig echoed the comments of appreciation.

Chair Pruhs thanked staff and Board members for their productive participation today.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:42 pm.

A handwritten signature in cursive script, appearing to read "Randy Ruaro", is written above a horizontal line.

Randy Ruaro, AIDEA Executive Director

Secretary