

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G24-04

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING A DEVELOPMENT PROJECT FINANCING LOAN UNDER AS 44.88.172 TO ALYESCHEM LLC TO FINANCE THE CONSTRUCTION AND LONG-TERM OPERATION OF A CHEMICAL PLANT ON THE NORTH SLOPE OF ALASKA

WHEREAS, the Alaska Industrial Development and Export Authority (the “Authority”) under AS 44.88.172 may provide development project financing to development projects in Alaska;

WHEREAS, Alyeschem, LLC (“Alyeschem”) has applied to the Authority for a \$70.0 million loan to finance the construction and long-term operation of a petrochemical plant on the North Slope of Alaska;

WHEREAS, the proposed loan to Alyeschem would permit domestic and local production of methanol and local, to the North Slope, production of Ultra Low Sulphur Diesel (“ULSD”);

WHEREAS, methanol is currently produced from foreign sources located thousands of miles away from the North Slope;

WHEREAS, ULSD and methanol are the two largest volume commodities imported to the North Slope and are essential for operations;

WHEREAS, the general terms of the proposed loan to Alyeschem are outlined the “Summary of Terms” that has been provided to the Board;

WHEREAS, Alyeschem’s proposed plant is eligible for financing under the Authority’s development finance program (AS 44.88.172) because the company’s assets and project meet the definition of a “development project” under AS 44.88.900(6), (13)(A) and (13)(F) in that they

constitute a “plant” or “facility” that will be used in connection with preparing, transporting, or producing products or substances, the developing or utilizing the natural resources of the State, and the development, transportation, conversion, or use of energy resources;

WHEREAS, making the proposed loan to Alyeschem will be in furtherance of the Authority’s statutory purpose of promoting, developing, and advancing the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment.

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

Section 1. The development project financing loan to Alyeschem under AS 44.88.172 is approved. The \$70.0 million loan to Alyeschem, LLC shall be as outlined in the “Summary of Terms” provided to the Board for this Resolution, with any additional terms and conditions that the Executive Director, in his discretion, determines to be appropriate. This shall include such additional financing as may be required or contemplated by the loan documents.

Section 2. The Executive Director is authorized to execute and deliver a loan commitment letter to Alyeschem. The Executive Director is further authorized to execute and deliver all loan documents consistent with the “Summary of Terms” necessary to make the loan to Alyeschem. The Executive Director is authorized to disburse money from the Economic Development Account of the Revolving Fund pursuant to the final, executed loan documents to fund the loan. The Executive Director is also authorized to take all other actions necessary or convenient to perform the Authority’s obligations under the loan documents or to implementing the intent of this Resolution.

Dated at Anchorage, Alaska, this 15th day of May 2024.



Chair



Secretary



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: Randy Ruaro
Executive Director

Date: May 15, 2024

Subject: Alyeschem, LLC – Chemical Plant on the North Slope of Alaska
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AIDEA's Investment Committee has approved and is proposing to the Board a new funding under AS 44.88.172, the Economic Development Account, to fund a \$70.0 million construction loan. The loan would be consistent with the summary of terms, provided separately to the Board under AS 44.88.215 and to Alyeschem, LLC for the construction and long-term operation of a chemical plant on the North Slope of Alaska. \$20.0 million of this loan will convert to a permanent royalty estimated to be a minimum of \$2.39 million per year with an increase based upon output.

AIDEA MISSION:

Economic and development benefits for Alaska include:

- Enhancing the competitiveness of Alaska's natural gas markets by broadening access and resources,
- Increase jobs to 10-12 new permanent jobs on the North Slope,
- Retention of a resident skilled workforce in Alaska's oil & gas industry,
- Support up to 80 construction jobs in Alaska.
- Domestic production of essential products required for North Slope operations, and
- Possible future expansion.

In keeping with AIDEA's mission, Alyeschem, LLC is an Alaska owned company with a focus on hiring and training Alaskans for Alaska's Oil & Gas sector. The company is also focused on leveraging access to competitively priced methanol and ultra-low sulphur diesel to North Slope of Alaska operators and service companies.

EVALUATION CRITERIA

AIDEA staff confirms Alyeschem, LLC’s loan application and the resulting financing plan meet the requirements of the evaluation standards established for a development project financing under AS 44.88.172:

CODE CITATION [3 AAC 99.560]	CRITERIA	DESCRIPTION
(a)(1)	Whether the application requirements of this chapter have been met.	The application and subsequent materials provided by Alyeschem and their equity partners meet all of the code requirements in 3 AAC 99.500 – 599.
(a)(2)	The project applicant’s credit standing.	Alyeschem is a new company with strong common equity providers providing 50%+ of the project capital costs.
(a)(3)	The economic and financial viability of the proposed development project.	Based upon the project Base Case economics and anticipated revenues AIDEA has determined that the financial plan for the Project appears viable.
(a)(4)	The impact of the proposed development project on the authority’s portfolio of development projects, considering the concentration by industry area, technology, and geographic region and the concentration of financing provided to a single borrower and related obligors with respect to all of the authority’s financing programs.	This new loan represents 61% of AIDEA’s total invested capital in AS 44.88.172 projects. Projects in the North Slope Borough represent 89% of the total invested AS 44.88.172 portfolio. The oil & gas sector will represent 68% concentration of invested capital with this commitment.
(a)(5)	Whether and the extent to which the development project financing is consistent with the fulfillment of the authority’s purpose under AS 44.88.070, including the number of temporary and permanent jobs created by the proposed development project.	The development project financing commitment to Alyeschem will directly increase employment creating 10-12 new FTE jobs on the North Slope as well as up to 80 temporary construction jobs. Future expansion of the plant is expected to result in additional FTE jobs.

(a)(6)	The interests of local governments impacted by the proposed development project.	AIDEA is working on getting the North Slope Borough to pass a Resolution in support of this project
(a)(7)	Any other commercially reasonable underwriting criteria the authority, in its discretion, determines to be pertinent to the application, given the terms of the financing or the nature of the project applicant or the proposed development project.	As established under the financing plan and the associated term sheet, included as an attachment.
(b)	In evaluating an application for development project financing, the authority may utilize experts, professionals, counsel, or consultants the authority determines will be of assistance to the evaluation.	Under a Cost Reimbursement Agreement AIDEA has engaged VanNess Feldman and ASRC Energy Services to review the key Project agreements, contracts, engineering documents and project economics. Their reports are included as attachments.

RECOMMENDATION:

AIDEA staff recommends approval under AS 44.88.172, subject to satisfactory final loan documentation per the terms and conditions as summarized in this memorandum and the previously approved, Resolution G23-13, Cost Reimbursement Agreement with Alyeschem.