



Governor Mike Dunleavy
STATE OF ALASKA

March 19, 2026

The Honorable Gary Stevens
Senate President
Alaska State Legislature
Capitol Building, Room 111
Juneau, AK 99801

Dear President Stevens:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill changing the oil and gas property tax structure to payment of an alternative tax, based on throughput volume, for the Alaska Liquefied Natural Gas (AKLNG) Project. This legislation alters the current oil and gas property tax framework for this project to better support the development of large-scale natural gas infrastructure critical to Alaska's energy future.

The AKLNG Project is one of the most significant economic and energy-infrastructure opportunities in our state's history. For decades, Alaska has sought a way to deliver our abundant North Slope natural gas resources to market while ensuring affordable and reliable energy for Alaskans. We are at the threshold of fulfilling this dream.

Development of the AKLNG Project will help lower long-term energy costs for Alaska families and businesses, provide long-term energy security for communities across the state, and enable the responsible development of North Slope oil and gas resources that might otherwise remain stranded. The project will generate thousands of construction jobs, long-term operations employment, and significant economic activity. In addition, the project will provide substantial stable new revenue for state and local governments while supporting long-term economic growth across multiple sectors of Alaska's economy.

The project includes a 739 mile natural gas pipeline in Phase One, and completion of the pipeline, compressor stations, a North Slope gas treatment facility, and an LNG export facility in Cook Inlet in subsequent phases. Phase One is key to bringing affordable energy to Alaskans. Access to North Slope natural gas will help stabilize and lower long-term energy costs for homes, businesses, and utilities throughout Alaska.

In addition, development of gas infrastructure on the North Slope will support continued oil and gas development by providing new opportunities to monetize gas resources that are currently reinjected or stranded. Under the existing annual 20 mill or two percent property tax on oil and

The Honorable Gary Stevens

March 19, 2026

Page 2 of 2

gas property, investors have deemed the AKLNG project would not be economically viable and therefore it almost certainly will not move forward. To deliver energy at the lowest possible cost to Alaskans, this bill adopts an alternative method of taxation based on throughput volumes.

Under existing law, the AKLNG project is exempt from taxation during construction. This bill extends this exemption period to commencement of commercial operations. Once commercial operations commence, the project enters the “ramp up” period where the alternative volumetric tax will be held in abatement until the earlier of the project reaching an average of 1 billion cubic feet per day of throughput or 10 years. Once the ramp up period ends, the alternative volumetric tax of \$.06 per million cubic feet (mcf) of throughput commences. The volumetric tax would increase by one percent annually.


Additionally, the bill requires the Department of Revenue to establish the methodology of allocating the taxed amount between the State for the portions of the pipeline running through unorganized boroughs, and the municipalities for the portions running through their jurisdictions. The bill also exempts the revenue received through the alternative volumetric tax from the definition of “local contribution” and from municipal tax calculations.

The bill further provides that the tax structure during both the exemption and the “ramp up” will terminate if the project has not commenced commercial operations by January 1, 2040, and would revert to the current oil and gas property tax structure. This alternative tax structure based on volume, not only reduces the tax burden on the project allowing it to move forward but also provides greater stability and predictability in revenues to both the State of Alaska and the boroughs through which the pipeline is routed. By tying the tax to pipeline throughput rather than infrastructure value, the structure aligns public revenues with project performance while supporting the short and long-term economic viability of the project.

This legislation will provide a clear and predictable tax structure and advance an AKLNG Project that delivers affordable energy to Alaskans, strengthens Alaska’s energy security, supports economic growth, and unlocks the full potential of North Slope natural gas resources.

I urge your prompt and favorable action on this measure.

Sincerely,



Mike Dunleavy
Governor

Enclosure