



Senate Bill 280 – OIL & GAS PROPERTY TAX; MUNI TAX

Summary and Analysis

This analysis provides an estimate of government revenues from the Alaska Liquefied Natural Gas (LNG) project under the alternative volumetric tax (AVT) legislation proposed by the Governor:

- Key Assumptions: Construction begins 2027, in-state gas supply from 2029, first LNG export from 2031, then project operation at 3,500 thousand cubic feet (Mcf) per day from 2033 onward. Further assumptions listed overleaf.
- Estimated revenues: \$22.5 billion for the State of Alaska, \$4.0 billion for municipalities, and \$22.1 billion for the federal government.
- Additional benefits for the state (not modeled) include:
 - A secure low-cost and long-term source of energy for Interior and Southcentral Alaska
 - Lower energy costs across the state, through the Affordable Energy Fund and indirectly through Power Cost Equalization
 - Increased competitiveness for future oil and gas activities on the North Slope
 - Increased state employment, and further positive effects on the state economy through the economic multiplier effects of project construction and operations
- Significant uncertainties remain around key project parameters. Production tax revenue is particularly uncertain, due to uncertainties in the impact of gas production on oil production, in oil price, and in company costs.

Benefit to Governments (Nominal Millions of Dollars)	Through CY 2042	Through CY 2052	Through CY 2062
State Project AVT	\$ 101	\$ 204	\$ 317
Local Project AVT	728	1,464	2,277
North Slope Borough AVT	268	540	840
Fairbanks North Star Borough AVT	1	1	2
Denali Borough AVT	29	59	92
Matanuska-Susitna Borough AVT	61	122	191
Kenai Peninsula Borough AVT	368	741	1,152
Total Project AVT	\$ 829	\$ 1,668	\$ 2,594
State Upstream Property Tax	68	138	189
North Slope Borough Upstream Property Tax	610	1,236	1,692
Total Upstream Property Tax	\$ 678	\$ 1,374	\$ 1,881
Upstream Corporate Income Tax	599	1,287	1,826
Project Corporate Income Tax	-	-	-
Gas Royalty	2,914	6,297	9,547
Unrestricted General Fund Royalties	1,734	3,747	5,681
Permanent Fund Royalties	729	1,574	2,387
Public School Trust Fund Royalties	15	31	48
Affordable Energy Fund Royalties	437	945	1,432
New Oil Royalty	352	625	665
Unrestricted General Fund Royalties	262	465	495
Permanent Fund Royalties	88	156	166
Public School Trust Fund Royalties	2	3	3
Gas Production tax	2,462	5,695	8,623
Oil Production Tax	986	1,621	1,365
Total State Benefits	\$ 7,482	\$ 15,867	\$ 22,532
Total Local Benefits	1,337	2,699	3,968
Federal Corporate Income Tax	(2,218)	8,193	22,106
Total Government Revenue	6,602	26,759	48,607

Detailed Financial Modeling Assumptions

All revenues shown in nominal dollars.

No funding for the Alaska LNG project is provided by the State of Alaska. While such an investment could provide material and significant revenue, such investment is not included in this analysis.

Project Timeline: Construction begins in 2027; First in-state gas deliveries in 2029; First LNG deliveries in 2031, with project operating at full capacity of 3,500 Mcf per day beginning in 2033; Tolling contract length is 20 years from date of full capacity; Modeling includes an additional 10 years, for a total operating life of 32 years.

Project Scope: The Alaska LNG project infrastructure consists of three major components:

Gas Treatment Plant (GTP): Facility on the North Slope to remove CO₂ from the raw gas stream.

Natural Gas Pipeline System: An 807-mile main pipeline from Prudhoe Bay to Nikiski and a 62-mile feeder pipeline from Point Thompson to the GTP.

LNG Plant: Facility to convert natural gas into LNG for export.

Inflation Rate: A yearly inflation rate of 2.5% was used to convert nominal to real values.

Construction Costs: Total costs, expressed in real 2026 dollars are \$46.2 billion, of which \$10.9 billion is for Gas Treatment Plant (GTP), \$15.5 billion for Pipeline, and \$19.9 billion for LNG Plant.

Fiscal Assumptions: Debt/Equity Ratio 70/30 of Capital Expenditures; 5% interest rate on debt; Toll Methodology sets rates with a fixed Equity Return of 10% pre-tax for Tolling Agreement Period.

Gas Price: Unprocessed Gas Price \$1.50 per Mcf in 2026, escalating at 2.5% per year.

Upstream Oil Production: No impacts to Prudhoe Bay Unit Productions, 262 million barrels of oil equivalent (MMBoe) increase in Point Thomson Unit production over the life of project.

Upstream Costs: Increased operating and capital costs for both Prudhoe Bay Unit and Point Thomson Unit

Revenue Baseline: Department of Revenue Spring 2026 revenue forecast and related assumptions.

Carbon Sequestration: Carbon dioxide is assumed to be extracted from the gas stream and sequestered in the subsurface, ensuring eligibility for federal 45Q tax credits. These credits are assumed to be available and are able to be applied immediately at the midstream GTP level as non-taxable cash payments. The State of Alaska has enacted legislation preventing adoption of federal 45Q tax credits by reference, so these credits are not applicable for state corporate income tax.

Detailed Scenario Specific Assumptions

Property Tax/AVT Rates: Property tax on the project is replaced by AVT. No tax is paid prior to 1 billion cubic feet (Bcf) daily throughput (30-day rolling average); once 1 Bcf is reached a \$0.06 per Mcf AVT escalating at 1% per year is charged.

AVT is first allocated between the three project components, and then further allocated between the state and municipalities based on the portion of project capital in each borough. Therefore, allocation is as follows:

Gas Treatment Plant (GTP): 23.79% of project AVT, of which 100% allocated to the North Slope Borough.

Natural Gas Pipeline System: 33.50% of project AVT, of which 36.52% allocated to the State of Alaska, 25.64% to North Slope Borough, 0.20% to Fairbanks North Star Borough, 10.61% to Denali Borough, 21.92% to Matanuska-Susitna Borough, 5.11% to Kenai Peninsula Borough.

LNG Plant: 42.71% of project AVT, of which 100% allocated to Kenai Peninsula Borough.