# Senate Bill 280
# Alternative Volumetric Tax

## Senate Resources Committee

## Department of Revenue

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# Acronyms and Definitions

AGDC – Alaska Gasline Development Corporation
ANS – Alaska North Slope
AVT – Alternative Volumetric Tax
Bcf – Billion cubic feet
CAPEX – Capital expenditures
CIT – Corporate Income Tax
CY – Calendar Year
DNR – Department of Natural Resources
DOR – Department of Revenue
FID – Final Investment Decision
FY – Fiscal Year
GTP – Gas Treatment Plant
IRR – Internal Rate of Return
LNG – Liquefied Natural Gas
MTPA – Million Tons per Annum (year)
Mcf – Thousand cubic feet
Mmbtu – Million British thermal units (1 mcf ≈ 1.038 mmbtu)
OPEX – Operating expenditures
PTV – Production Tax Value

Definitions

- Upstream – oil and gas exploration and production
- Midstream – oil and gas processing and transportation

# Presentation Overview

- Background – AKLNG Project
- Background – Property Tax
- Proposed Legislation
- Fiscal Note
- Detailed Project Modeling
- Sectional Analysis


AKLNG = Alaska Liquified Natural Gas project

# Background – AKLNG Project

# Tax Incentives Across the United States

Payment in Lieu of Tax (PILT) and property tax reforms are commonly used across the country to enable large infrastructure projects and attract investment:

**TEXAS** Cities & counties pair 100% property tax abatements with PILT agreements — the most analogous to the Alaska proposal

**LOUISIANA** 10-year property tax exemption (80–100%) with no PILT requirement; parish agreements for flexibility

**NEW JERSEY** PILT agreements under the Long-Term Tax Exemption Law for designated redevelopment zones

**OKLAHOMA** 5-year property tax exemptions with state reimbursement to local jurisdictions

**TENNESSEE** Industrial dev. boards facilitate PILT agreements by acquiring and leasing back property

**SOUTH CAROLINA** FILOT (Fee in Lieu of Taxes) negotiated between companies and counties with reduced rates



Source:
1. Comparable PILT analysis; state-level program research.

# Alaska vs. Competing LNG Projects[1]

| | A<br>Jurisdiction | B<br>Property Tax Treatment | C<br>Annual Tax Burden |
|---|---|---|---|
| 1 | US Lower 48 (LA, TX) | 10-year exemptions; PILT Agreements | $0–1M/year |
| 2 | US (Cove Point, MD) | PILT with 42% reduction after 5 years | ~$50M → ~$29M |
| 3 | Canada (LNG Canada) | Large suite of fiscal incentives | $10–30M/year |
| 4 | Russia (Yamal) | 12-year holiday, 2% thereafter | $0 first 12 years |
| 5 | Nigeria LNG | 10-year tax holiday | $0 first 12 years |

***Globally, fiscal incentivization is the norm. Tax holidays and reductions in early project years are standard practice to attract capital investment, enable large-scale infrastructure.***

Source:

1. Gas Strategies global benchmarking, AGDC Lunch & Learn 2022.

# A Long-Term Impediment

**Alaska's high property taxes have been a known development impediment for more than ten years.**

| | |
|---|---|
| **2015–17** | Considerable state/local analysis of a Payment in Lieu of Tax structure for the project |
| **2020** | Gas Strategies identified Alaska's rate as an outlier harming development, benchmarking Alaska's burden at ~$400M+/yr vs. $0–50M at comparable projects |
| **2022** | Gas Strategies legislative presentation highlighted global benchmarks and the need for reform |
| **2024** | Wood Mackenzie identified property tax as the largest value variable affecting the delivered cost of gas |
| **2025** | GaffneyCline identified that property tax is the biggest potential burden on project economics, with a ~9% cost increase |

***Years of expert analysis and stakeholder engagement confirm the need for reform.***

# What Property Tax Reform Means for Alaskans

**Consumer energy bills directly reflect project costs. Property tax reform lowers energy bills for Alaskan families, businesses, and government facilities.**

**A volumetric tax aligns consumers, government, and the developer by incenting higher volumes which produce lower energy bills and more tax revenue.**

**Property Tax Reform**

## -25% per $/MMBtu Lower Costs

for Alaska households & businesses

**More competitive project**

attracting investment & jobs

# Higher Taxes Mean Higher Alaska Energy Bills

**Massive Capital Base**
LNG projects are capital intensive. Alaska´s current property tax system assesses the value of physical assets, creating a potentially enormous tax burden and raising Alaska energy bills before meaningful revenue is generated.

**Flat Tax, Variable Revenue**
Unlike income taxes, the current property tax system does not scale with project revenues. This disproportionately affects Alaska consumers in the early years of the project.

**Competitive Disadvantage**
Alaska’s current 2 mil property tax rate is an order of magnitude higher than comparable LNG projects.

# Background – Property Tax

# Background – Property Tax

- Alaska levies an oil and gas property tax on the value of taxable exploration, production, and pipeline transportation property in the state
  - The state manages the appraisal process for all oil and gas property in the state
  - Municipal property tax collections for oil and gas property are based on the state's assessed value
  - The state tax rate is 20 mills (2%) of assessed value
  - Municipal property taxes paid reduce the liability owed to the state
- LNG plants are not subject to state oil and gas property tax, but subject to local municipal property tax and are appraised and assessed by the municipality the LNG plant is in

# Proposed Legislation

# Proposed Legislation

- The current 20 mills property tax places an economic burden on the Alaska LNG project, decreasing the project's appeal to developers and increasing costs of delivered gas upon project completion
- This bill would replace the entire state and local property tax system for the Alaska LNG Project
- Instead, an alternative volumetric tax (AVT) would apply to the project after a tax-exempt ramp up period
  - This AVT would be of a similar scale to a 2 mill property tax when the Alaska LNG project is at full capacity

# Proposed Legislation

- The ramp-up period would be the shorter of 10 years of commercial operations or once 30-day average pipeline throughput is over 1 billion cubic feet per day
- At the end of the ramp-up period, the tax would be set at $0.06 per thousand cubic feet (mcf) of natural gas throughput
  - Tax rate would then increase by 1% per year
- The $0.06 tax levy would be split between the local municipalities based on the portion of the project in the municipality. The state would levy and collect the tax from the portion in the unorganized borough

# Fiscal Note

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# Fiscal Note – Revenues

- The revenue impact of this bill is positive because it assumed that the Alaska LNG project will not proceed without property tax relief
- Alternative Volumetric Tax (AVT) of $0.06 per thousand cubic feet of pipeline throughput, increasing by 1% each year
  - AVT begins once the earlier of 10 years of commercial operations or the project exceeds 1 billion cubic feet per day of throughput
  - The state would receive about 36.5% of the AVT for the pipeline or about 12.2% of the AVT for the entire Alaska LNG project

# Fiscal Note – Revenues

- In addition to the revenue shown on this fiscal note, the state would receive revenue through increased production tax, corporate income tax, and royalty revenue from the Alaska LNG project and associated new development

# Fiscal Note – Revenues

**Estimated Impact of AVT Bill, Based on the Spring 2026 Forecast ($ millions)**

Prepared 3/22/2026 by Department of Revenue

| Revenue Summary in Nominal Terms | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 | FY 2035 | FY 2036 |
|---|---|---|---|---|---|---|---|---|---|---|
| Midstream AVT | | | | | | | | | | |
| North Slope Borough | $0 | $0 | $0 | $0 | $3 | $12 | $20 | $24 | $24 | $24 |
| Fairbanks North Star Borough | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Denali Borough | $0 | $0 | $0 | $0 | $0 | $1 | $2 | $3 | $3 | $3 |
| Matanuska-Susitna Borough | $0 | $0 | $0 | $0 | $1 | $3 | $4 | $5 | $5 | $5 |
| Kenai Peninsula Borough | $0 | $0 | $0 | $0 | $4 | $16 | $27 | $32 | $33 | $33 |
| Total Midstream AVT | $0 | $0 | $0 | $0 | $9 | $31 | $53 | $64 | $65 | $65 |
| State AVT | $0 | $0 | $0 | $0 | $1 | $4 | $7 | $9 | $9 | $9 |
| **Total AVT Impacts** | **$0** | **$0** | **$0** | **$0** | **$10** | **$36** | **$60** | **$73** | **$74** | **$74** |

AVT = Alternative Volumetric Tax, FY = Fiscal Year

# Fiscal Note – Expenditures

## Implementation Cost

- The creation of the alternative tax in this bill would create a new revenue type within the Tax Division
- The Department will require an additional Tax Auditor 3 to carry out this additional workload of administering the new tax type. The fiscal note reflects this position as well as additional travel costs for training and outreach purposes, services costs for statewide and department-wide core service and overhead costs, initial IT equipment, and ongoing business supply needs
- The Department will need to engage FAST Enterprises, our Tax Revenue Management System (TRMS) contractor, to develop a volumetric tax module in TRMS and integrate the module with our existing accounting, and collections modules. The $250.0 in capital costs is an estimate for the needed contract with FAST Enterprises to develop the new module

# Fiscal Note – Expenditures

| **Expenditures/Revenues** | (Thousands of Dollars) | | | | | | |
|---|---|---|---|---|---|---|---|
| Note: Amounts do not include inflation unless otherwise noted below. | | | | | | | |
| | FY2027 Appropriation Requested | Included in Governor's FY2027 Request | Out-Year Cost Estimates | | | | |
| **OPERATING EXPENDITURES** | **FY2027** | **FY2027** | **FY2028** | **FY2029** | **FY2030** | **FY2031** | **FY2032** |
| Personal Services | 147.5 | | 147.5 | 147.5 | 147.5 | 147.5 | 147.5 |
| Travel | 5.0 | | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Services | 13.9 | | 13.9 | 13.9 | 13.9 | 13.9 | 13.9 |
| Commodities | 4.0 | | 0.0 | 0.0 | 0.0 | 1.5 | 1.5 |
| Capital Outlay | | | | | | | |
| Grants, Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| **TOTAL OPERATING** | **170.4** | **0.0** | **166.4** | **166.4** | **166.4** | **167.9** | **167.9** |

FY = Fiscal Year

# Detailed Project Modeling

# DOR Modeling Setup

**Upstream Model** of net impacts to State revenues from oil and gas royalties and taxes, and upstream corporate income and property taxes

**Midstream Model** for the gasline project of net revenues to owners, and midstream corporate income and property taxes

**Combined DOR Model** that provides net revenues to State from both upstream and midstream sources

# DOR Modeling Data Sources

## DOR Spring 2026 Forecast:

- Oil price
- Oil OPEX and CAPEX
- Oil Netback and Field Costs

## DNR:

- Base oil production (Spring 2026 Forecast)
- Applicable oil royalty rates and field costs for gas royalty calculation

## AGDC:

- Additional Upstream OPEX and CAPEX for gas development
- Gas production and additional PTU liquids production
- Midstream CAPEX and OPEX
- In-state gas demand
- Financing terms

# Financial Assumptions

- Model timeframe: 32 years from first LNG sale in 2031
  - It is anticipated that the project will continue beyond the modeled period
- Analysis varies tolls for gas treatment plant, pipeline and LNG plant to achieve desired return on equity
  - Tolls equal to total cost of service
  - Toll value set by requiring equity return (IRR) of 10% pre-tax for tolling agreement period of 20 years from full capacity or 21 years from first sale
- Construction costs: $46.2B (2026 base year)
- Debt/Equity ratio: 70/30 of CAPEX
- Financing terms: 5% interest rate
- Long-term Inflation: 2.5%

# Upstream Assumptions

- Unprocessed gas price: $1.50 per Mcf (2026 base year)
- Phase 1 production from Great Bear Pantheon or other field, Phase 2 production from Prudhoe Bay (PBU) and Point Thomson (PTU) and Phase 1 source, based on AGDC estimates
  - Impact on oil production at PBU assumed to be zero. While maintaining oil production at baseline level may incur significant costs, these costs are not included in the analysis
  - PTU liquids production increased by 270 million barrels over life of project
- Yet-to-find gas begins to replace declining supply from PBU and PTU late in project life
  - For yet-to-find, model includes state revenues from midstream, but not for upstream

# Baseline Tax Assumptions

- Property tax: 20 mills (2%) of gas treatment plant (GTP) and pipeline replacement value, 8 mills (0.8%) of LNG plant replacement value
  - LNG plant exempt from state tax (per existing law), full 20 mills tax otherwise
- Midstream corporate income tax: Midstream company not subject to state corporate income tax but is taxed at federal corporate income tax rate as proxy for federal level taxation
- Upstream corporate income tax: A portion of upstream owners subject to state (at 4.25% of PTV effective rate) and all midstream owners are assumed to be subject to federal corporate income tax
- Production tax: Current law including 13% gross tax on gas

# Key Uncertainties and Risk

- Price Volatility
  - Commodity risk could impact both project revenues and construction costs
- Market Conditions
  - Competition from low-cost LNG producers could limit Alaska LNG's attractiveness if competing purely on price
- Project Timeline and Cost Factors
  - Alaska LNG's geographic isolation and limited local pool of skilled labor could cause cost overruns or delays
- Upstream Oil Production Impacts
  - The extraction of natural gas from the North Slope will require changes in the reservoir management of existing oil and gas fields. This could have unforeseen impacts on production

# Scenarios Modeled

- Current law scenario
  - Midstream property tax throughout project as per current law
  - Shared between state and municipalities at current rates

- Proposed Legislation scenario
  - Until end of January 2031: Zero midstream property tax
    - During construction and first two years of pipeline operation
    - Assumes tax begins after 30 day year average above 1 Bcf/d through pipeline
  - From beginning of February 2031: AVT of $0.06 per Mcf of pipeline throughput escalating 1% per year

# Analysis Summary; Current Tax Law

## Cashflow Summary

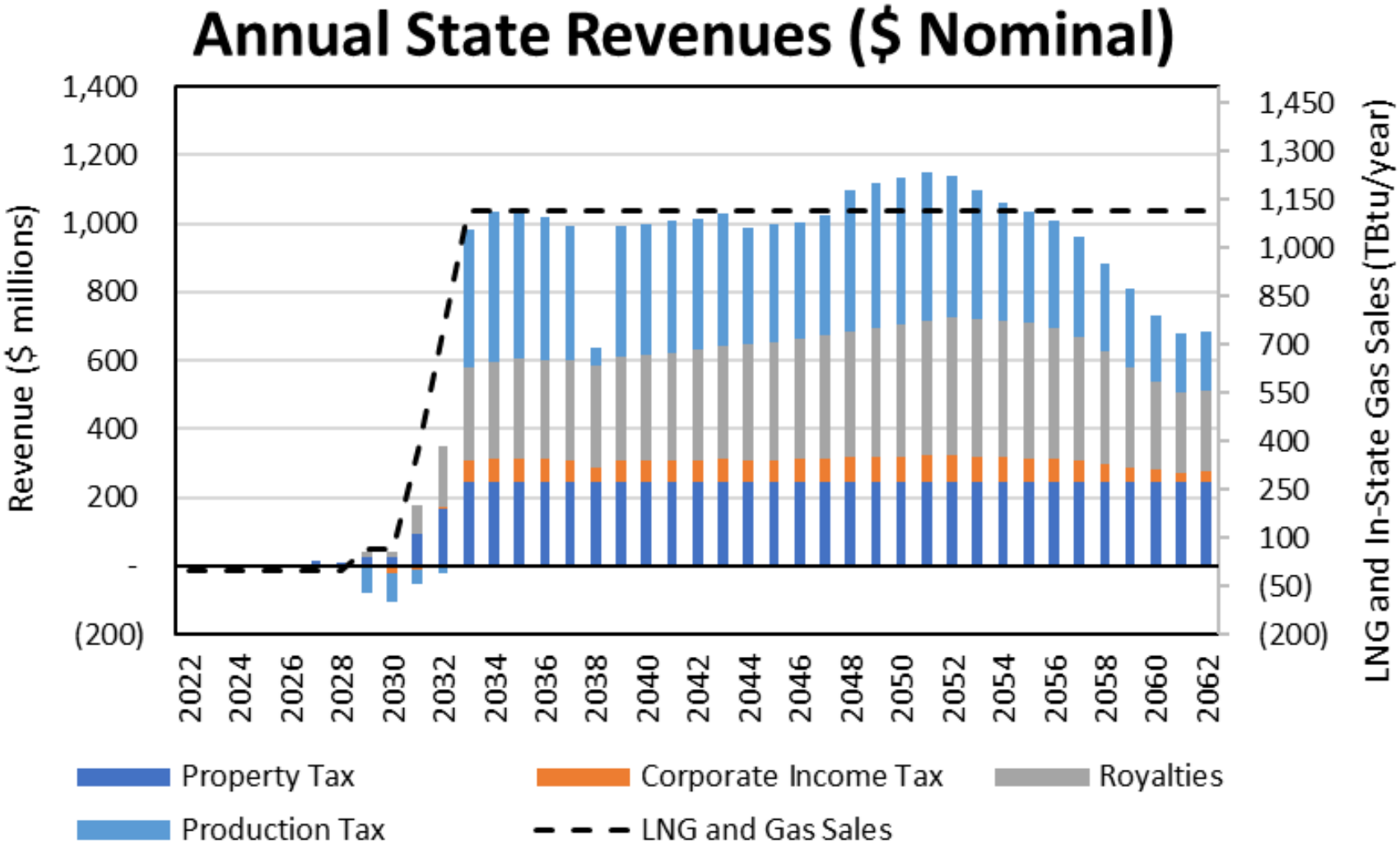
| Total Cashflow Nominal ($ millions) | State Revenues | Federal Revenues | Municipal Revenues | Upstream Owners | Midstream Owners |
|---|---|---|---|---|---|
| Cumulative to 2042 | $ 10,093 | $ (2,213) | $ 6,274 | $ 19,376 | $ 6,381 |
| Cumulative to 2052 | 20,770 | 8,293 | 11,870 | 41,651 | 25,807 |
| Cumulative to 2062 | 29,716 | 22,597 | 17,297 | 60,379 | 70,361 |

## Cost of Supply Summary

| In-State Break-Even Price (for 2033) | Nominal | Real ($2026) |
|---|---|---|
| Gas Commodity Charge ($/Mcf output) | $1.92 | $1.62 |
| GTP Toll ($/Mcf output) | $1.14 | $0.96 |
| Pipeline Toll ($/Mcf output) | $1.79 | $1.51 |
| **In State Gas Break-Even Price (2033)** | **$4.86** | **$4.09** |

| LNG Break-Even Price (for 2033) | Nominal | Real ($2026) |
|---|---|---|
| Gas Commodity Charge ($/Mcf output) | $2.06 | $1.73 |
| GTP Toll ($/Mcf output) | $1.22 | $1.03 |
| Pipeline Toll ($/Mcf output) | $1.92 | $1.61 |
| LNG Plant Toll ($/Mcf output) | $2.92 | $2.46 |
| Alaska to Japan Shipping ($/Mcf) | $0.94 | $0.79 |
| **LNG Break-Even Price (2033)** | **$9.07** | **$7.63** |

# State Revenues by Year; Current Law



# Analysis Summary; Proposed Legislation

## Cashflow Summary

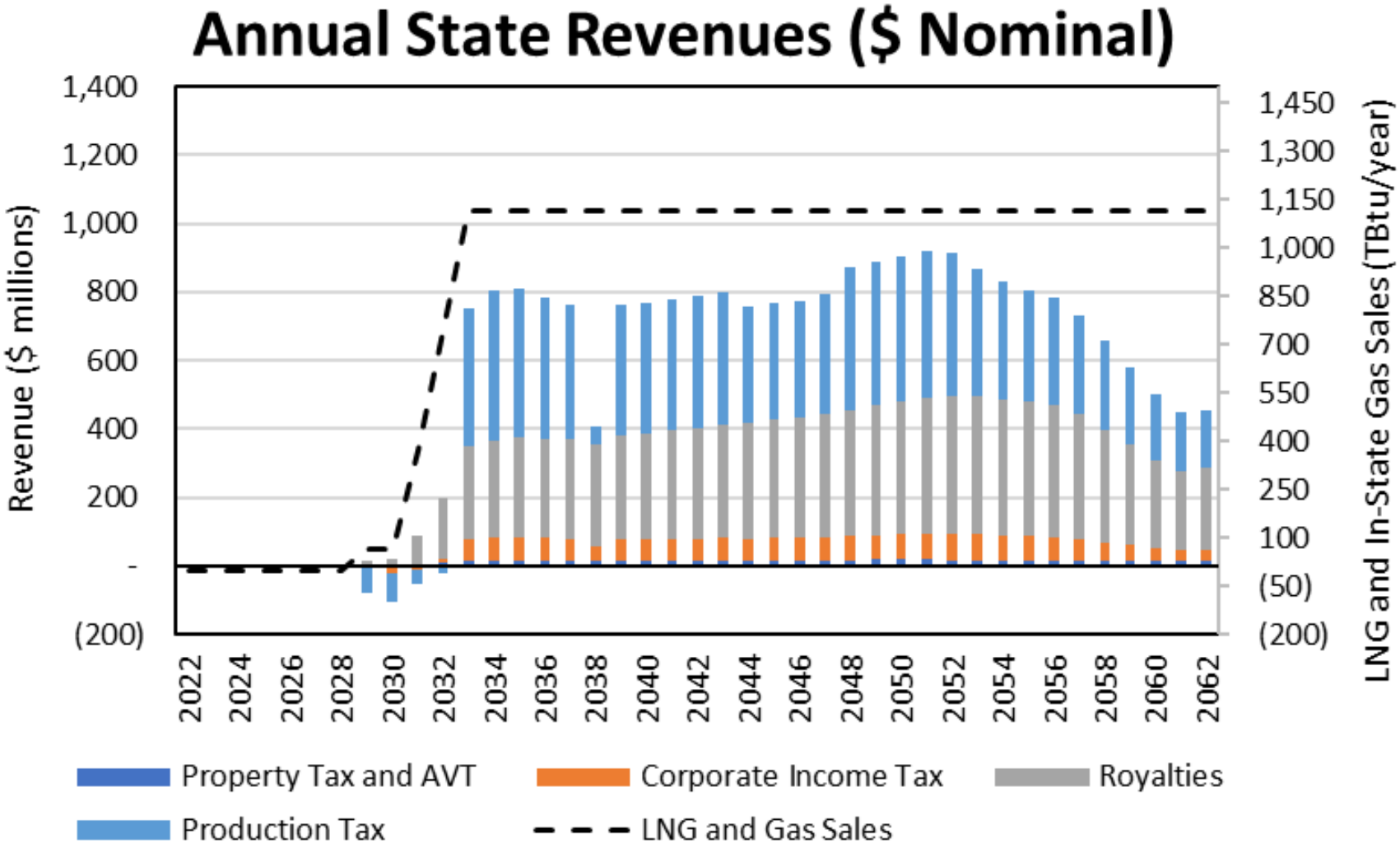
| Total Cashflow Nominal ($ millions) | State Revenues | Federal Revenues | Municipal Revenues | Upstream Owners | Midstream Owners |
|---|---|---|---|---|---|
| Cumulative to 2042 | $ 7,482 | $ (2,218) | $ 1,337 | $ 19,376 | $ 6,510 |
| Cumulative to 2052 | 15,867 | 8,193 | 2,699 | 41,651 | 25,272 |
| Cumulative to 2062 | 22,532 | 22,106 | 3,968 | 60,379 | 68,512 |

## Cost of Supply Summary

| In-State Break-Even Price (for 2033) | Nominal | Real ($2026) |
|---|---|---|
| Gas Commodity Charge ($/Mcf output) | $1.92 | $1.62 |
| GTP Toll ($/Mcf output) | $0.96 | $0.81 |
| Pipeline Toll ($/Mcf output) | $1.54 | $1.30 |
| **In State Gas Break-Even Price (2033)** | **$4.43** | **$3.73** |

| LNG Break-Even Price (for 2033) | Nominal | Real ($2026) |
|---|---|---|
| Gas Commodity Charge ($/Mcf output) | $2.06 | $1.73 |
| GTP Toll ($/Mcf output) | $1.03 | $0.87 |
| Pipeline Toll ($/Mcf output) | $1.65 | $1.39 |
| LNG Plant Toll ($/Mcf output) | $2.79 | $2.35 |
| Alaska to Japan Shipping ($/Mcf) | $0.94 | $0.79 |
| **LNG Break-Even Price (2033)** | **$8.48** | **$7.13** |

# State Revenues by Year; Proposed Legislation



# Sensitivity Matrix; In-State Gas Break-Even Price, Nominal $/Mcf in 2033

## Spring 2026 Baseline

| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $4.22 | $4.86 | $5.50 | $6.14 | $6.78 | $7.42 | $8.06 | $8.70 | $9.34 |
| +20% | $4.79 | $5.43 | $6.07 | $6.71 | $7.35 | $7.99 | $8.63 | $9.27 | $9.92 |
| +40% | $5.37 | $6.01 | $6.65 | $7.29 | $7.93 | $8.57 | $9.21 | $9.85 | $10.49 |
| +60% | $5.95 | $6.59 | $7.23 | $7.87 | $8.51 | $9.15 | $9.79 | $10.43 | $11.07 |
| +80% | $6.52 | $7.16 | $7.81 | $8.45 | $9.09 | $9.73 | $10.37 | $11.01 | $11.65 |
| +100% | $7.10 | $7.74 | $8.38 | $9.02 | $9.66 | $10.30 | $10.94 | $11.58 | $12.22 |

## Proposed Legislation

| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $3.79 | $4.43 | $5.07 | $5.71 | $6.35 | $6.99 | $7.63 | $8.27 | $8.91 |
| +20% | $4.28 | $4.92 | $5.56 | $6.20 | $6.84 | $7.48 | $8.12 | $8.76 | $9.40 |
| +40% | $4.76 | $5.40 | $6.04 | $6.68 | $7.32 | $7.96 | $8.60 | $9.24 | $9.89 |
| +60% | $5.25 | $5.89 | $6.53 | $7.17 | $7.81 | $8.45 | $9.09 | $9.73 | $10.37 |
| +80% | $5.74 | $6.38 | $7.02 | $7.66 | $8.30 | $8.94 | $9.58 | $10.22 | $10.86 |
| +100% | $6.22 | $6.86 | $7.50 | $8.14 | $8.78 | $9.43 | $10.07 | $10.71 | $11.35 |

# Sensitivity Matrix; LNG Break-Even Price, Nominal $/Mcf in 2033

## Spring 2026 Baseline

| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $8.38 | $9.07 | $9.75 | $10.44 | $11.12 | $11.81 | $12.50 | $13.18 | $13.87 |
| +20% | $9.47 | $10.15 | $10.84 | $11.53 | $12.21 | $12.90 | $13.59 | $14.27 | $14.96 |
| +40% | $10.56 | $11.24 | $11.93 | $12.62 | $13.30 | $13.99 | $14.67 | $15.36 | $16.05 |
| +60% | $11.65 | $12.33 | $13.02 | $13.70 | $14.39 | $15.08 | $15.76 | $16.45 | $17.14 |
| +80% | $12.73 | $13.42 | $14.11 | $14.79 | $15.48 | $16.17 | $16.85 | $17.54 | $18.22 |
| +100% | $13.82 | $14.51 | $15.20 | $15.88 | $16.57 | $17.25 | $17.94 | $18.63 | $19.31 |

## Proposed Legislation

| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $7.79 | $8.48 | $9.16 | $9.85 | $10.53 | $11.22 | $11.91 | $12.59 | $13.28 |
| +20% | $8.75 | $9.44 | $10.12 | $10.81 | $11.49 | $12.18 | $12.87 | $13.55 | $14.24 |
| +40% | $9.71 | $10.40 | $11.08 | $11.77 | $12.46 | $13.14 | $13.83 | $14.51 | $15.20 |
| +60% | $10.67 | $11.36 | $12.04 | $12.73 | $13.42 | $14.10 | $14.79 | $15.48 | $16.16 |
| +80% | $11.63 | $12.32 | $13.01 | $13.69 | $14.38 | $15.06 | $15.75 | $16.44 | $17.12 |
| +100% | $12.59 | $13.28 | $13.97 | $14.65 | $15.34 | $16.03 | $16.71 | $17.40 | $18.08 |

# Sensitivity Matrix; Cumulative State Revenues through 2062, Nominal $ millions

## Spring 2026 Baseline

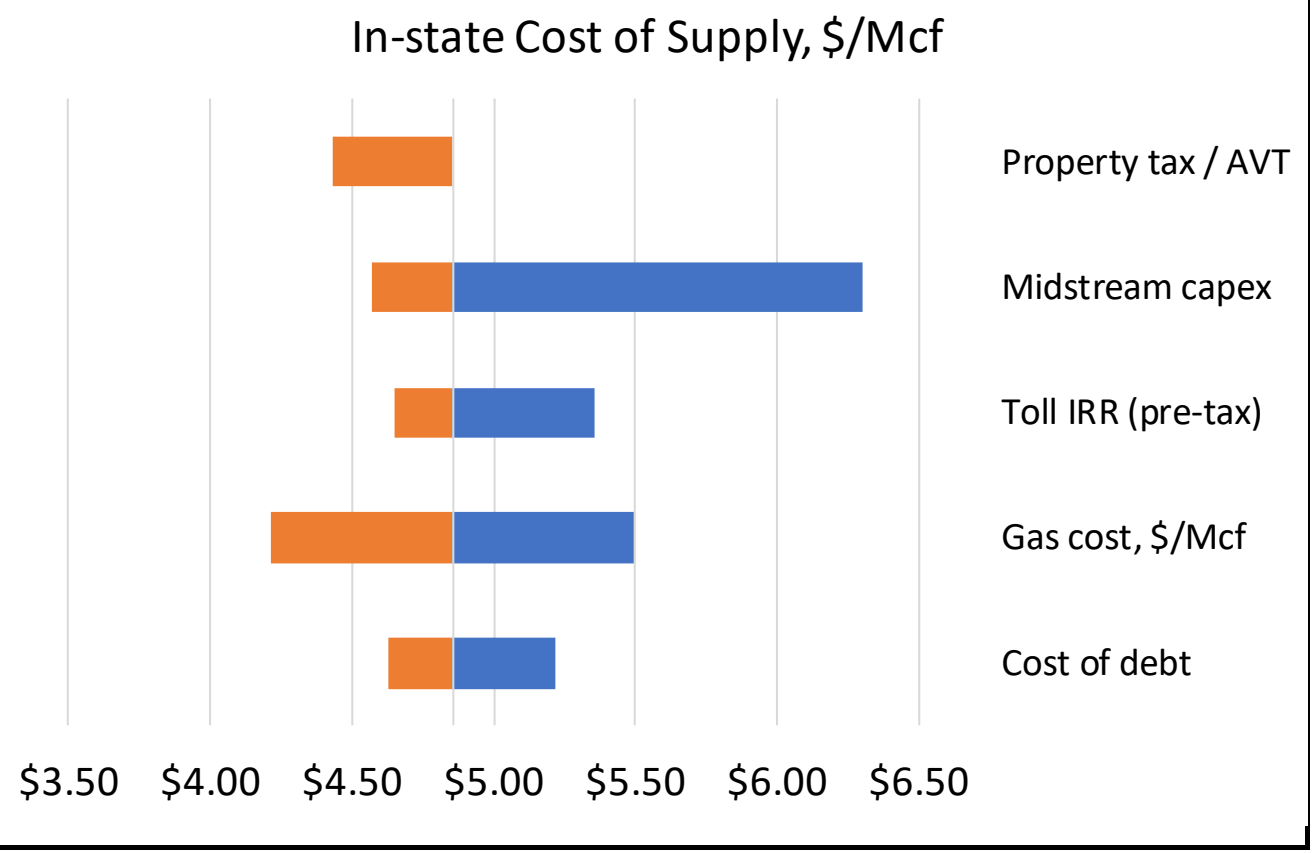
| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $22,532 | $29,716 | $36,872 | $44,028 | $51,183 | $58,372 | $65,571 | $72,770 | $79,970 |
| +20% | $24,022 | $31,206 | $38,362 | $45,517 | $52,673 | $59,861 | $67,061 | $74,260 | $81,459 |
| +40% | $25,511 | $32,696 | $39,851 | $47,007 | $54,163 | $61,351 | $68,550 | $75,750 | $82,949 |
| +60% | $27,001 | $34,185 | $41,341 | $48,497 | $55,653 | $62,841 | $70,040 | $77,240 | $84,439 |
| +80% | $28,491 | $35,675 | $42,831 | $49,987 | $57,142 | $64,330 | $71,530 | $78,729 | $85,929 |
| +100% | $29,981 | $37,165 | $44,321 | $51,476 | $58,632 | $65,820 | $73,020 | $80,219 | $87,418 |

## Proposed Legislation

| Alaska LNG Capital Cost | Upstream Gas Price | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $1.00 | $1.50 | $2.00 | $2.50 | $3.00 | $3.50 | $4.00 | $4.50 | $5.00 |
| Base CAPEX | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |
| +20% | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |
| +40% | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |
| +60% | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |
| +80% | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |
| +100% | $15,348 | $22,532 | $29,688 | $36,844 | $43,999 | $51,188 | $58,387 | $65,586 | $72,786 |

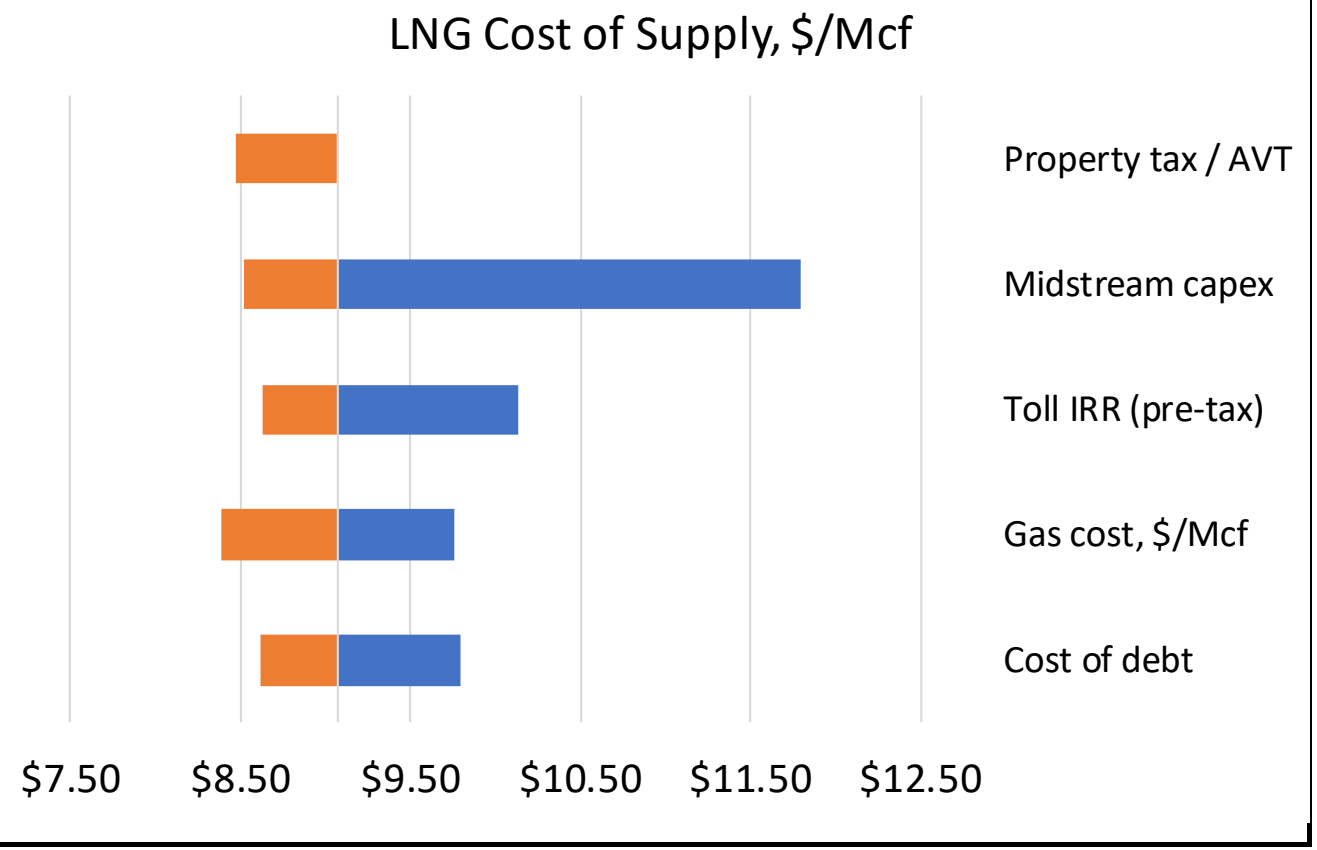
# Sensitivity Scenarios; In-State Gas Cost, 2033 Nominal $/Mcf in 2033

| | Low | Base | High |
|---|---|---|---|
| Property tax / AVT | Proposed Legislation | Current law | |
| Midstream capex | -10% | Baseline | 50% |
| Toll IRR (pre-tax) | 7.5% | 10% | 15% |
| Gas cost, $/Mcf | $1.00 | $1.50 | $2.00 |
| Cost of debt | 3.50% | 5% | 7% |



# Sensitivity Scenarios; LNG export price, Nominal $/Mcf in 2033

| | Low | Base | High |
|---|---|---|---|
| Property tax / AVT | Proposed Legislation | Current law | |
| Midstream capex | -10% | Baseline | 50% |
| Toll IRR (pre-tax) | 7.5% | 10% | 15% |
| Gas cost, $/Mcf | $1.00 | $1.50 | $2.00 |
| Cost of debt | 3.50% | 5% | 7% |



# Summary: Total Government Revenue, Part 1 of 2

| 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 | - | - | - |

# Summary: Total Government Revenue, Part 2 of 2

| Benefit to Governments (Nominal Millions of Dollars) | Through CY 2042 | Through CY 2052 | Through CY 2062 |
|---|---|---|---|
| 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** |

# Conclusions

- The Alaska LNG Project has the potential to provide tens of billions of dollars for the State of Alaska, the U.S. federal government, local governments, and the public sector
  - Beyond direct financial impacts, the project would enhance Alaska and America's energy security and create thousands of jobs
- Under this analysis, passing SB 280 would:
  - Materially decrease the cost of energy for Alaskans, reducing in-state break-even cost of gas from $4.86 per mcf to $4.43 per mcf, a 9% reduction
  - Make the AK LNG project more attractive to investors, reducing break-even cost of LNG from $9.07 per mcf to $8.48 per mcf, a 7% reduction

# Sectional Analysis – SB 280 \A

# SB 280 – Sectional Analysis

**Section 1:** Amends AS 14.17.510 to add a new subsection (d) to exclude "qualified property" from the calculation of taxable property for city or borough school funding purposes, in new AS 43.56.027 added with Section 8 of this bill.

**Section 2:** Amends the definition of "local contribution" in AS 14.17.990(6) to exclude revenue from the alternative tax allocation in new AS 43.56.023 added with Section 8 of this bill.

**Section 3:** Amends AS 29.45.080(c) to exclude from municipal tax calculations the taxes levied by imposing an alternative volumetric tax added under new AS 43.56.022 added with Section 8 of this bill.

# SB 280 – Sectional Analysis (Continued)

**Section 4:** Amends AS 29.45.080 to add subsection (g) prohibiting municipalities from levying property tax on "qualified property" as defined in new AS 43.56.027 added with Section 8 of this bill.

**Section 5:** Amends AS 43.56.010(a) to levy an annual 20-mill tax except as provided in new AS 43.56.021 and AS 43.56.022 for temporary abatement and alternative volumetric tax, respectively, added with Section 8 of this bill.

**Section 6:** Amends AS 43.56.010(b) to limit municipal tax authority due to the exclusion of "qualified property" covered in Section 4 of this bill.

# SB 280 – Sectional Analysis (Continued)

**Section 7:** Amends AS 43.56.020(d) to add language exempting major components of a natural gas pipeline project that is a qualified property as defined in new AS 43.56.027, added with Section 8 of this bill, from state and municipal taxes before commercial operations begin, and include in the exemption real and personal property used or committed by contract or agreement to the project; remove the requirement of ownership or financing by the Alaska Gasline Development Corporation; and add AS 43.56.020(d)(1), (2), and (3) to define "commencement of commercial operations" as when the first revenue-generating gas flow to owners of a major component of the natural gas pipeline project occurs; "major component of a natural gas pipeline project" to mean each part of an Alaska LNG project and an in-state natural gas pipeline, as each are defined in AS 31.25.390, as well as integrated carbon recapture, utilization and storage infrastructure, including a carbon storage facility; and "taxable property" as the meaning given in new AS 43.56.027, added with Section 8 of this bill.

# SB 280 – Sectional Analysis (Continued)

**Section 8:** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:

**AS 43.56.021:** Introduces temporary abatement of property tax on qualified property during a ramp-up period, which begins on the date of commencement of commercial operations, as defined in new AS 43.56.020(d), and ends on the earlier of the day after the qualified property achieves a throughput of 1,000,000,000 cubic feet of natural gas per day, calculated as a rolling average over a consecutive 30-day period, or 10 years after the date of commencement of commercial operations.

# SB 280 – Sectional Analysis (Continued)

**Section 8 (Continued):** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:

**AS 43.56.022:** Adds an alternative volumetric tax imposed on the throughput of the qualified property after ramp-up at the rate of $0.06 per 1,000 cubic feet of gas, increasing by 1% of the rate imposed during the prior year annually, and replacing all state and municipal property, ad valorem, and sales or use taxes on qualified property and municipal taxes on gross or net income, license fees, excise taxes, and other municipal charges on or pertaining to the purchase, use, consumption, or ownership of property or services, with tax returns and payments due monthly. This section excludes provisions for assessment roll, assessment notice, certification, supplementary assessment rolls, and collection and deposit under AS 43.56.090, 43.56.100, 43.56.135, 43.56.140, and 43.56.150, applies a 10% penalty for delinquent taxes and interest at the rate specified in AS 43.05.225, and remedy of distraint of qualified property as provided in AS 43.20.270.

# SB 280 – Sectional Analysis (Continued)

**Section 8 (Continued):** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:

**AS 43.56.023:** Requires allocation of the alternative volumetric tax to operate as follows: the levy and collection of the tax on qualified property located within a municipality by a municipality and the state to levy and collect the tax on the portion of the property located in an unorganized borough, the Department of Revenue to adopt regulations to establish a methodology for splitting the levy between a municipality and the state based on the original cost of the qualified property located in each municipality and the unorganized borough and between the taxing jurisdictions when property is located in both a borough and city within the borough, and assessment of the tax levied legally vesting in the Department of Revenue, with disputes, including regarding allocation or jurisdiction of the tax, treated administratively.

# SB 280 – Sectional Analysis (Continued)

**Section 8 (Continued):** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:

**AS 43.56.025:** Stipulates abatement and the alternative volumetric tax terminate if a qualified property, as defined under the new statutes, has not commenced commercial operations on or before January 1, 2040.

**AS 43.56.026:** Requires the Department of Revenue to adopt regulations to implement the new abatement statutes, specifically including procedures for throughput reporting, the determination of original cost, and the calculation of rolling average and further defining throughput.

**AS 43.56.024:** Adds that appeals will be handled via informal conference and administrative hearings, with the State Assessment Review Board having no jurisdiction.

# SB 280 – Sectional Analysis (Continued)

**Section 8 (Continued):** Amends AS 43.56 to add new sections AS 43.56.021–027 as follows:
**AS 43.56.027:** For new AS 43.56.021 – 43.56.027, added by this Section, adds the following statutory definitions: "qualified property" means an Alaska liquified natural gas project as defined in AS 31.25.390 and facilities or sub-projects attendant or related to the project or integrated carbon capture, utilization, and storage infrastructure owned or financed by an instrumentality of the state or a joint venture, partnership, or other affiliated entity that included an instrumentality of the state when construction of the first major component commenced; "taxable property," has the meaning in AS 43.56.210 and includes property used for liquefaction and natural gas and carbon capture, utilization, and storage infrastructure integrated with a natural gas pipeline project, including a carbon dioxide storage facility; and "throughput" means the volume of natural gas determined by summing all volumes sold or delivered at each outlet or offtake point along the natural gas pipeline as defined in AS 31.25.390 and natural gas consumed as fuel for operating a liquefaction facility, but not natural gas consumed as fuel for pipeline compression.

**Section 9:** Makes this Act effective immediately under AS 01.10.070(c).

# THANK YOU

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