



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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April 7, 2026

The Honorable Robyn Niayuq Frier
House Resources Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 108
Juneau, AK 99801

The Honorable Maxine Dibert
House Resources Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 126
Juneau, AK 99801

Dear Co-Chairs Frier and Dibert,

The purpose of this letter is to provide you with responses to the questions posed to the Department of Revenue (DOR) regarding the presentation of House Bill 381 (HB 381) to the House Resources Committee on March 25, 2026. Additionally, we answer another follow-up that was provided after the hearing by the co-chairs. Please see the questions in italics and our responses immediately below the questions.

1. *Would a Liquefied Natural Gas (LNG) import terminal be exempt from property taxes under this bill?*

HB 381 exempts "qualified property" from property tax and many municipal taxes and fees, replacing those taxes and fees with an Alternative Volumetric Tax (AVT) once construction and a subsequent ramp-up period are complete.

In Section eight of the bill "qualified property" is defined as:

"... an Alaska liquefied natural gas project as defined in AS 31.25.390 and any other facilities or sub-projects attendant or related to the project or integrated carbon capture, utilization, and storage infrastructure, that, at the commencement of construction of the first major component of the project, was 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 that commenced construction on or after January 1, 2026;”

While under AS 31.25.390(1) in current law states:

“Alaska liquefied natural gas project’ means a natural gas project as described in AS 31.25.005(5) that includes collectively, the Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line, a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine terminal; in this paragraph...

(C) ‘liquefied natural gas plant’ means the facility for liquefying natural gas and includes structures, equipment, underlying land rights, other associated systems, storage, and facilities for off-loading liquefied natural gas;”

Therefore, to be a "qualified property" under the bill, an LNG plant would need to be:

- Part of an Alaska LNG project that includes a pipeline from the North Slope
- At commencement of construction, owned, financed or financially affiliated with an instrumentality of the state
- A facility for liquefying natural gas and off-load of LNG.

As such, a standalone LNG import facility would not be exempt from property taxes under HB 381. However, it is ambiguous whether an LNG import terminal designed for dual use or later conversion for export from an "Alaska liquefied natural gas project" that includes state financial involvement would be exempt, either partially or in full.

2. Provide sensitivity matrix for municipal revenues.

Please see slide six in the attached presentation.

3. Provide potential state revenues from equity investment in the project.

The State of Alaska currently has the option to invest between 5% and 25% into each of the three major components of the Alaska LNG project. This investment would require providing funds during the construction period in exchange for the future equity revenue stream.

Please see slide seven in the attached presentation for details around the state’s share of equity investment for project capital costs.

Please see slides eight and nine in the attached for net state revenues for a 5% and 25% ownership share respectively. This is a high-level analysis that does not address potential impacts to return on equity, cost of debt, property tax, or the AVT from state ownership.

Please see slides 10 and 11 in the attached for graphs showing the investment needs and cashflow for a 5% state investment. Slides 12 and 13 show investment needs and cashflow for a 25% state investment.

4. Provide expected state revenues and cost of supply at different throughput levels.

The modeling prepared by the Department of Revenue assumes that the full Alaska LNG project's final investment decision and associated gas sales agreements are finalized before Phase 1 in-state natural gas deliveries commence. In addition, the modeling assumes the cost of supply within those contracts represents a levelized cost of supply of natural gas over the model's tolling period, including the initial in-state only and LNG ramp up periods. This levelized evaluation assumes that the higher per thousand cubic feet (Mcf) costs in the early years of operations are offset by the lower per Mcf costs once full throughput is achieved.

Using this levelized approach, in-state cost of supply under current tax law is estimated at \$4.86 per Mcf in 2033 where LNG cost of supply is estimated at \$9.07 per Mcf in 2033. In the event the full project does not proceed the cost of supply would be significantly higher, in the \$10-\$15 per Mcf range for in-state cost of supply in 2033.

Please see slides 15-17 in the attached for summaries of the project as it transitions through its initial in-state only gas sales to full LNG capacity under the current project throughput profile. This covers a variety of throughput levels and provides information relating to state revenue over that time period.

Note, net production tax impact is negative for 2029-2032 as shown on slide 15-17. This does not reflect a cash outlay but rather the incremental impact to upstream producers from the ability to reduce existing production taxes based on increase upstream investments. The baseline modeling assumes additional development spending at both Prudhoe Bay and Point Thomson associated with the AKLNG project. Note, the cumulative production tax impact is a net positive by 2033 once major gas sales begin.

5. Provide an assessment of revenue to municipalities under the AVT proposal in HB 381, broken up by project component (gas treatment/ACC plant, the pipeline itself, and the LNG facility).

See slide 18 in the attached. This table breaks out total Alternative Volumetric Tax in the baseline scenario. The allocation percentages are modeling assumptions based on the assumed share of capital cost attributable to each component and do not represent a final determination on the exact allocation percentages or methodology.

- 23.8% of the revenue is assumed to be allocated to the gas treatment plant, with the entirety of that revenue going to the North Slope Borough.
- 33.5% of the revenue is assumed to be allocated to the pipeline, with that revenue being shared by the state and multiple boroughs.

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- 42.7% of the revenue is assumed to be allocated to the LNG plant, with the entirety of that revenue going to the Kenai Peninsula Borough.

Please let me know if the department can be of further assistance.

Sincerely,



Janelle L. Earls

Acting Commissioner

Enclosure: HB 381 DOR Response to House Resources PowerPoint

cc: Jordan Shilling, Legislative Director, Office of the Governor
Lacey Sanders, Director, Office of Management and Budget