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energy advisory

HB 381 CS Version T, Senate Resources

House Finance Committee
13th May 2026

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Basis of Opinion

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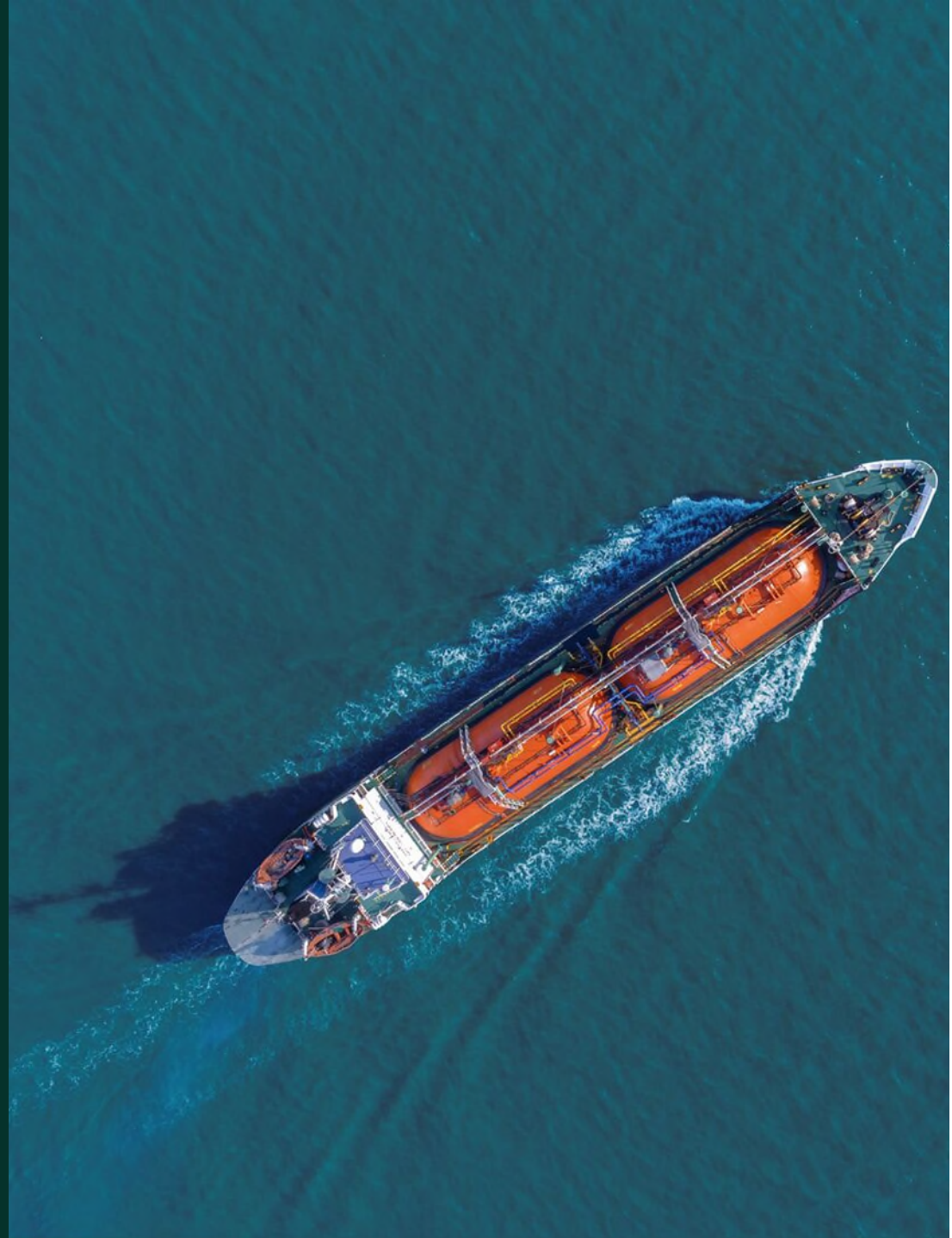
Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

Agenda
Topics to be Covered

- ***Background Summary***
- ***Project Competitiveness vs AVT***
- ***Phase I Gasline Considerations***
- ***Project/State Dialogue***



Background to AVT

Approach to Fiscal Framework

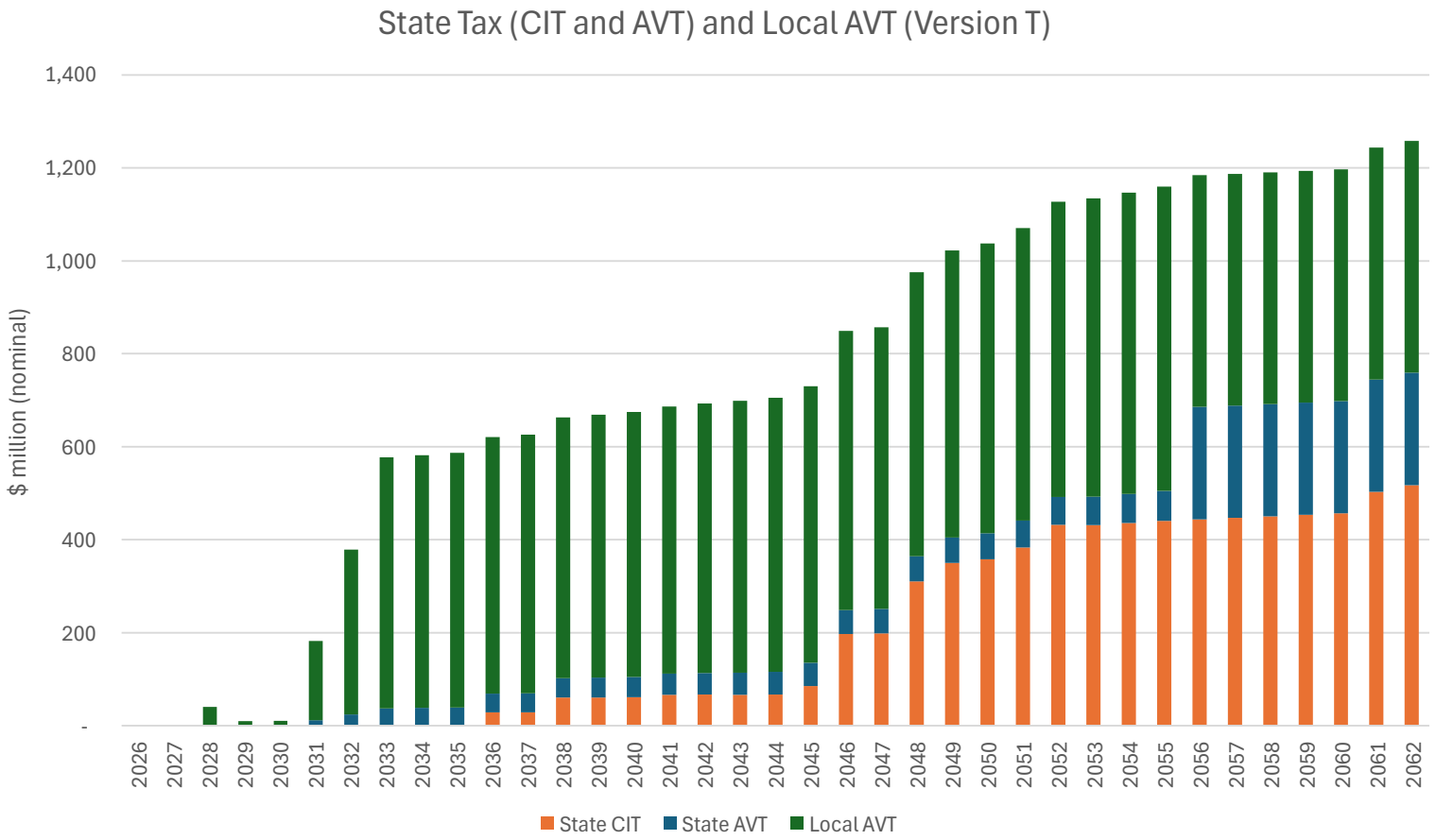
- Early decisions include **Principals and Fiscal Architecture** eg

– Upstream tax and royalty regime	☑ Established over decades
– Corporate income tax (state/federal)	☑ Existing framework
– Federal support (eg loan guarantees or grants etc)	☑ Exists in principle
– Fiscal stability, eg contractual or not	☑ Decades of governance as guide
– In state supply regulatory framework	☑ RCA regulatory process
– Property tax/community impacts	✗ Still largely undefined

Municipal/Community Support - Global Examples

Project	Impacted community	Mechanism	Example payment / investment (publicly documented)
Hammerfest LNG (Snøhvit), Norway	Hammerfest municipality	**Property tax**	**NOK 170 million/year** in property tax to Hammerfest municipality **(US$0.07 per mcf)**
LNG Canada, Kitimat BC (Canada)	District of Kitimat	**Tax stabilization / flat municipal taxes during construction + early ops**	Proposed flat municipal taxes (2019–2028): C**$1.62M → C$8.08M** (construction years) and C**$9.7M/yr** once operating (then CPI-indexed) **(US$0.01 per mcf)**
BC "LNG Benefits + Coastal Fund" (Canada)	Kitsumkalum First Nation	**Benefits agreements + annual payments**	**$20.35M over 4 years** (funds incl. community/legacy funds) + annual payment **~$750k/yr** once operating (volume-dependent) **(US$0.01 per mcf)**
Woodfibre LNG, Squamish BC (Canada)	Squamish Nation & District of Squamish area	**IBA (cash + procurement) + community investment**	CBC reported **>C$225M cash over 40 years** + **>C$872M** contracting opportunities; company reports **>C$1M** invested in local nonprofits since 2016 **(US$0.04 per mcf)**
Gorgon LNG, Western Australia	State conservation programs (broader public benefit)	**Dedicated conservation fund**	**$60M** "Net Conservation Benefits Fund" established by agreement with Chevron for conservation/restoration projects
PNG LNG (Papua New Guinea)	Project-area landowners, local-level & provincial govts	**Royalties + equity + infrastructure grants (national benefit-sharing)**	PNG LNG describes royalty (2%), equity entitlements, development levy and **K1.2B** Infrastructure Development Grants allocation; MRDC reports royalty releases with **landowners 70%** share and 40:30:30 distribution approach

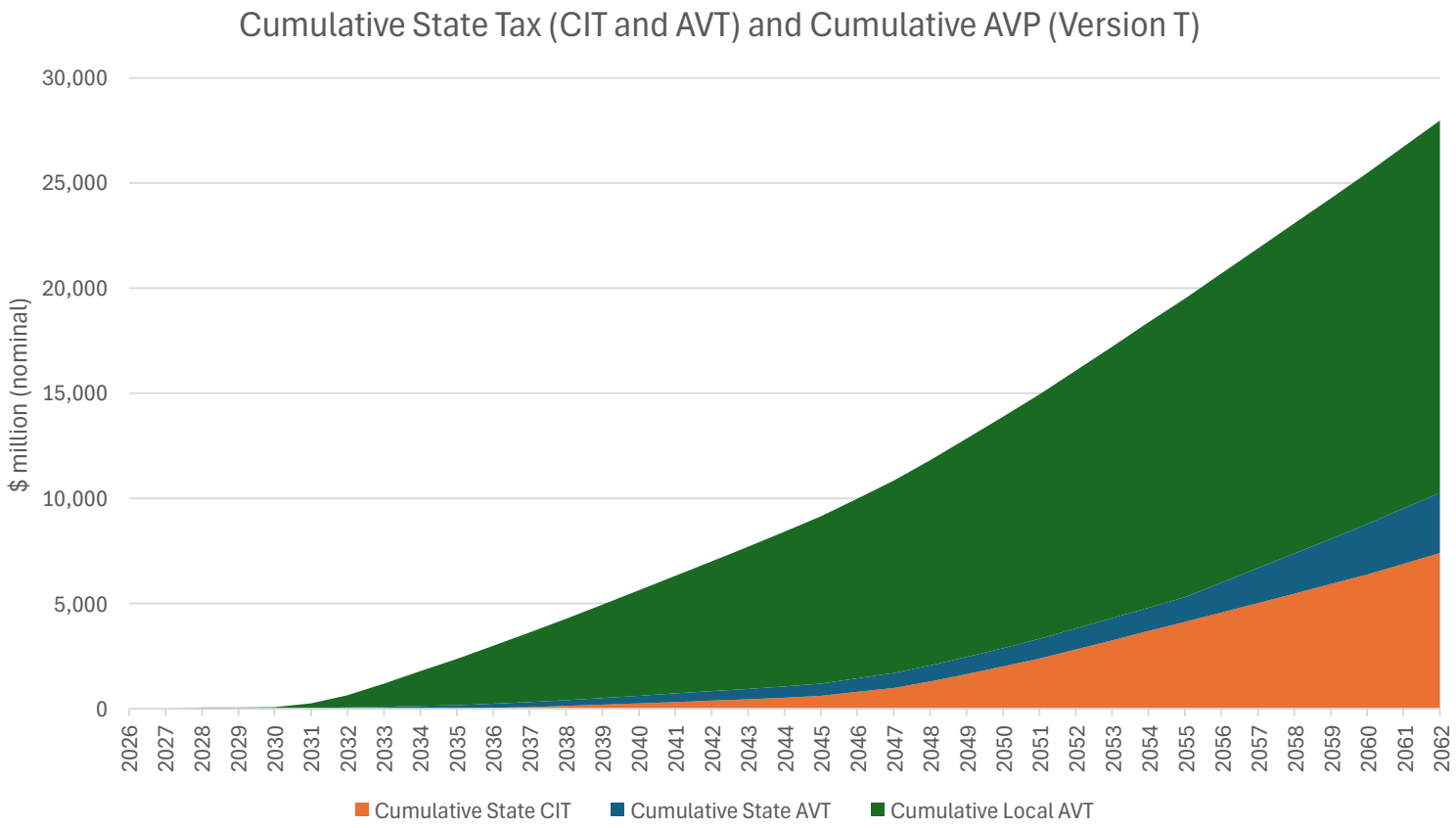
AVT and CIT Profile



Source: Econ model hosted by DOR/GaffneyCline

- Alternative volumetric tax generates about $550m in local and state taxes after start of commercial operations.
- Combined local and state AVT revenues are projected to rise to $680m by 2050
- State CIT projected to reach $358m in 2050 and $456m in 2060
- Combined AVT and State CIT is $1.0 bn in 2050 and $1.2 bn in 2060

Cumulative AVT and CIT



Source: Econ model hosted by DOR/GaffneyCline

- AVT and State CIT cumulatively about $14 billion in state and local revenues in the time up to 2050.
- Of that, about 80% ($11bn) is from Local AVT
- Cumulative AVT (state and local) and CIT taxes by 2060 amount to just over $25bn
- Over 90% of the tax contribution arises from the AVT

AVP in Tax Stack: Canada comparison

- Canada Federal CIT rate: 15%
- BC Provincial CIT rate: 12%
- BC Natural Gas Tax Credit: (creates a provincial CIT floor of 9%)
- Effective CIT: ~24% (with NG credit)

- US Federal CIT rate 21% (but state tax is allowable)
- Alaska State CIT rate 9.4%
- Effective CIT: 28.43%

- The AVT under Version T gives rise to nine times the state CIT that the project would pay by 2060.

Note: the analysis above is for illustrative purposes only, a detailed financial model and tax calculation would be needed to evaluate the effective tax implications of the AVT, along with detailed project economic data.

Economics and Market Pricing

Breakeven Matrix

Zone of profitability (Long term contract price in Japan 2016-present avg.)

10-year average contract price (2016-2026) $10.41

Spring 2026 Baseline

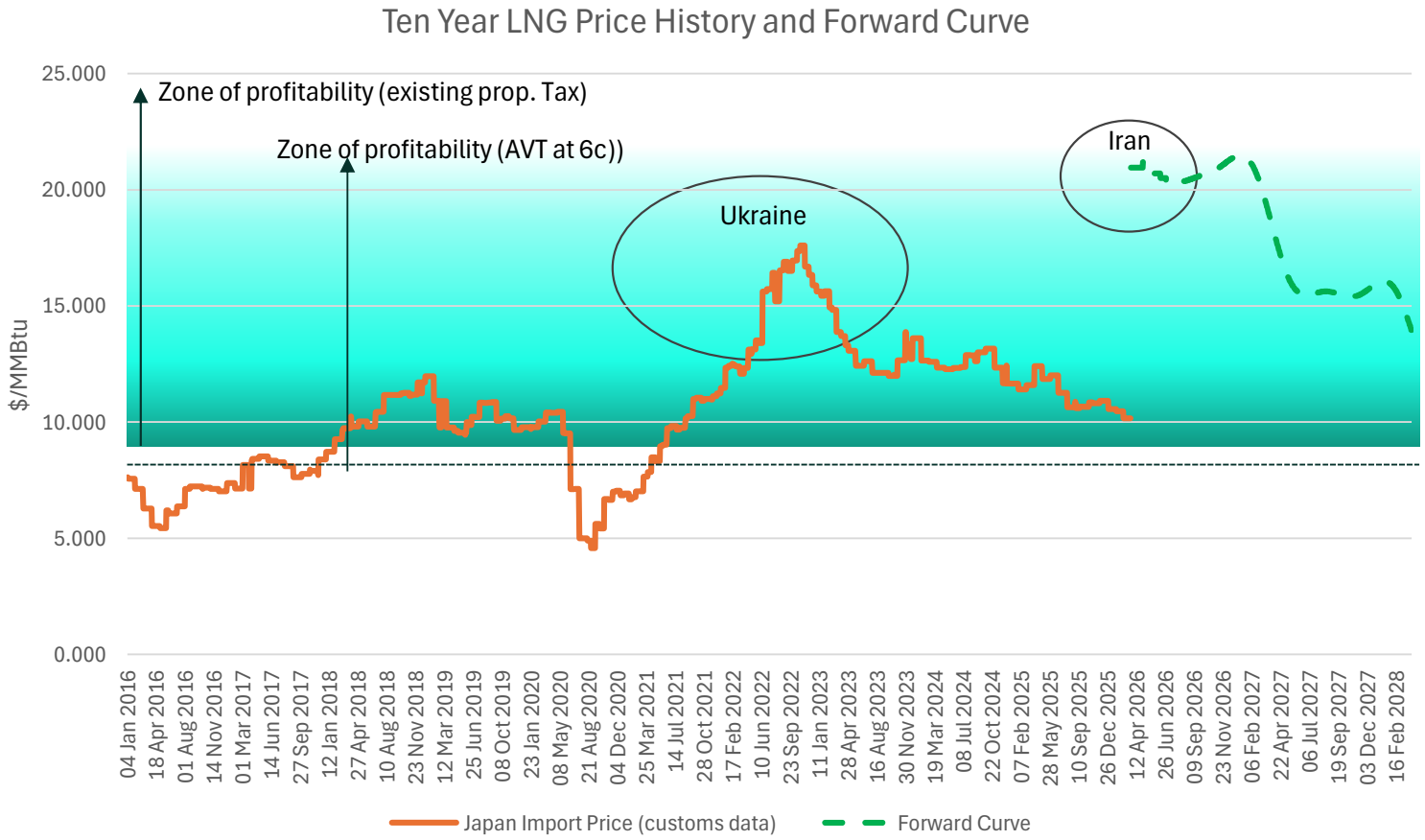
Alaska LNG Capital Cost	Upstream Gas Price								
	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50	$4.00	$4.50	$5.00
Base CAPEX	$8.38	$9.07	$9.75	$10.44	$11.12	$11.81	$12.50	$13.18	$13.87
+20%	$9.47	$10.15	$10.84	$11.53	$12.21	$12.90	$13.59	$14.27	$14.96
+40%	$10.56	$11.24	$11.93	$12.62	$13.30	$13.99	$14.67	$15.36	$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

Source: DOR Economic Model

LNG Pricing Expectations "Look Back"



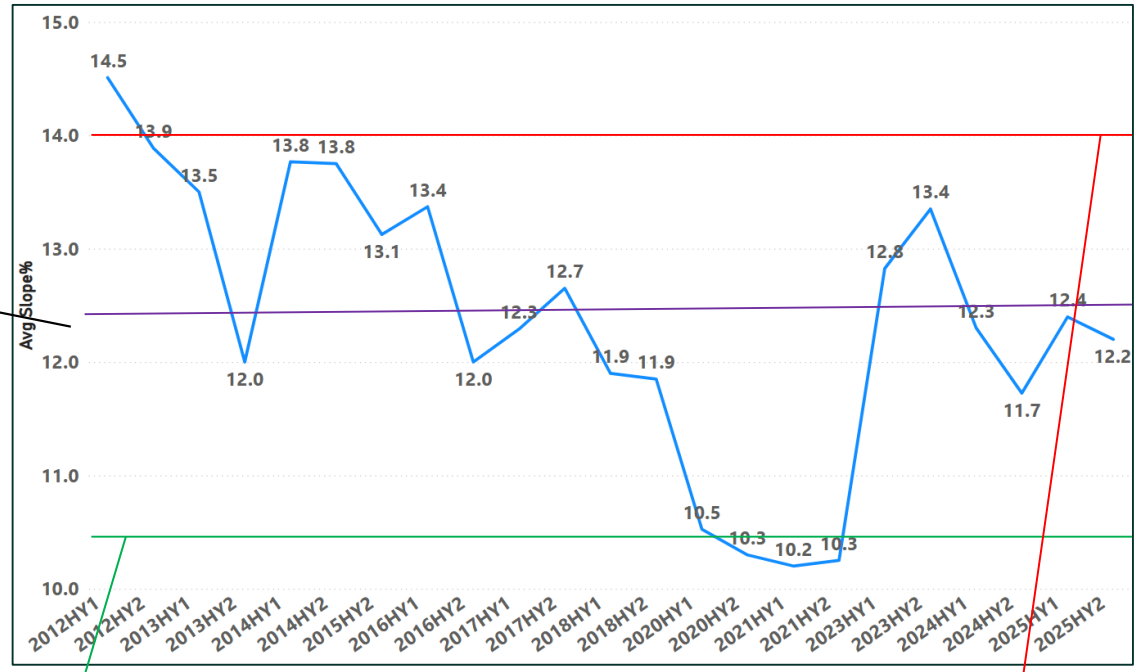
Source: ICIS/GaffneyCline analysis. Uses a combination of historical price data and forward market curves which may not reflect actual price outcomes. Zone of profitability uses base capex and $1.50/MMBtu gas price.

- Long term contracts typically reflect oil price trends, but rise in periods of high spot price and vice versa
- For a project such as AK LNG, much of the production is likely to be sold under long term contract
- Pricing might be linked to such commodities as oil, gas indices, or other variables.
- Forward prices have responded to the LNG supply disruptions in Qatar, but trend back to average levels by 2028
- Full impact of supply disruptions not yet known.
- LNG buyers looking for safe, reliable supplies of LNG.

LNG Market Implications (Brent) "Look Forward" #1

- Many Asian LNG buyers use Brent indexation, or some element of Brent.
- Indexation is a function of market conditions but also contract terms.
- LNG contracts that enable project finance can sometimes have a discounted price.

Selected LNG Oil Indexed Prices 2012 - 2025



Last 12 month average of disclosed Brent pricing (Japan, India, Vietnam) 12.4%

	oil price	50	55	60	65	70	75	80	85	90
oil slope	10.0%	$ 5.00	$ 5.50	$ 6.00	$ 6.50	$ 7.00	$ 7.50	$ 8.00	$ 8.50	$ 9.00
	10.5%	$ 5.25	$ 5.78	$ 6.30	$ 6.83	$ 7.35	$ 7.88	$ 8.40	$ 8.93	$ 9.45
	11.0%	$ 5.50	$ 6.05	$ 6.60	$ 7.15	$ 7.70	$ 8.25	$ 8.80	$ 9.35	$ 9.90
	11.5%	$ 5.75	$ 6.33	$ 6.90	$ 7.48	$ 8.05	$ 8.63	$ 9.20	$ 9.78	$ 10.35
	12.0%	$ 6.00	$ 6.60	$ 7.20	$ 7.80	$ 8.40	$ 9.00	$ 9.60	$ 10.20	$ 10.80
	12.5%	$ 6.25	$ 6.88	$ 7.50	$ 8.13	$ 8.75	$ 9.38	$ 10.00	$ 10.63	$ 11.25
	13.0%	$ 6.50	$ 7.15	$ 7.80	$ 8.45	$ 9.10	$ 9.75	$ 10.40	$ 11.05	$ 11.70
	13.5%	$ 6.75	$ 7.43	$ 8.10	$ 8.78	$ 9.45	$ 10.13	$ 10.80	$ 11.48	$ 12.15
	14.0%	$ 7.00	$ 7.70	$ 8.40	$ 9.10	$ 9.80	$ 10.50	$ 11.20	$ 11.90	$ 12.60

Source: ICIS/GaffneyCline analysis

Breakeven zone* (existing prop. Tax and $1.50 gas) $9.07

Breakeven zone* (6c AVT and $1.50 gas) $8.48

* Based on DOR "heat map" presented to SRES using $1 upstream price and base CAPEX

LNG Market Implications (US Gulf Coast) "Look Forward" #2

- Indexation to Henry Hub plus a constant for liquefaction and fuel is the typical Gulf Coast pricing mechanism.
- Alaskan LNG would be less competitive than Gulf Coast LNG in the following outcomes ($1.50 gas):
- Existing property tax: Capex is more than about 5% above Base Budget.
- 6c/mcf AVT: Capex is more than about 15% above Base Budget.

Components	Description ($/MMBtu)	
	May 2026	Comments
Average Henry Hub Futures during the period of interest	$ 3.55	Forward price in 2030
Liquefaction Surcharge	$ 0.53	15% for fuel and other charges
Liquefaction Tolling Fee	$ 2.80	Average of indicated tolls for the past 12 months
Shipping Charges	$ 2.40	Estimated shipping and canal charges
Delivered Estimate	**$ 9.28**	

	oil price	50	55	60	65	70	75	80	85	90
oil slope	10.0%	$ 5.00	$ 5.50	$ 6.00	$ 6.50	$ 7.00	$ 7.50	$ 8.00	$ 8.50	$ 9.00
	10.5%	$ 5.25	$ 5.78	$ 6.30	$ 6.83	$ 7.35	$ 7.88	$ 8.40	$ 8.93	$ 9.45
	11.0%	$ 5.50	$ 6.05	$ 6.60	$ 7.15	$ 7.70	$ 8.25	$ 8.80	$ 9.35	$ 9.90
	11.5%	$ 5.75	$ 6.33	$ 6.90	$ 7.48	$ 8.05	$ 8.63	$ 9.20	$ 9.78	$ 10.35
	12.0%	$ 6.00	$ 6.60	$ 7.20	$ 7.80	$ 8.40	$ 9.00	$ 9.60	$ 10.20	$ 10.80
	12.5%	$ 6.25	$ 6.88	$ 7.50	$ 8.13	$ 8.75	$ 9.38	$ 10.00	$ 10.63	$ 11.25
	13.0%	$ 6.50	$ 7.15	$ 7.80	$ 8.45	$ 9.10	$ 9.75	$ 10.40	$ 11.05	$ 11.70
	13.5%	$ 6.75	$ 7.43	$ 8.10	$ 8.78	$ 9.45	$ 10.13	$ 10.80	$ 11.48	$ 12.15
	14.0%	$ 7.00	$ 7.70	$ 8.40	$ 9.10	$ 9.80	$ 10.50	$ 11.20	$ 11.90	$ 12.60

Breakeven zone* (existing prop. Tax) $9.07

Breakeven zone* (6c AVT) $8.48

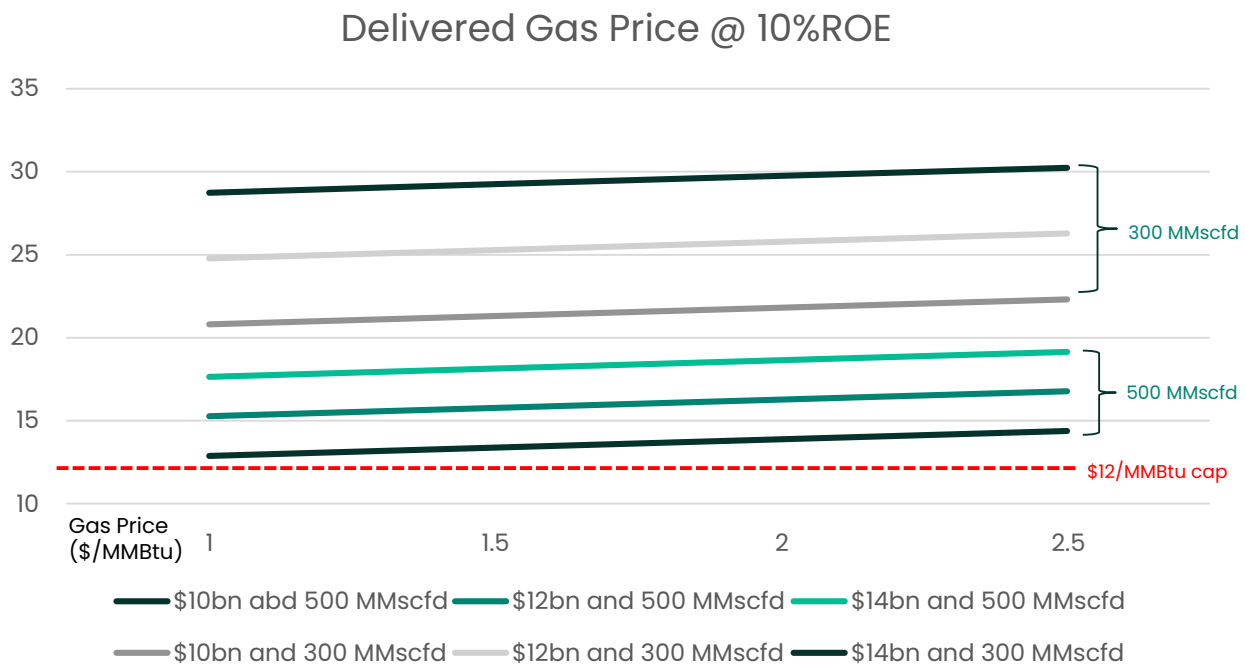
Approximate equivalent Gulf Coast supply

* Based on DOR "heat map" presented to SRES using $1 upstream price and base CAPEX

Source: ICIS/GaffneyCline analysis

Phase I Gasline Considerations

Price Cap vs Tariff for 10% Project Return



Note: preliminary analysis, based on multiple assumptions, subject to audit and further review. Final analysis may differ. Analysis assumes no property tax or AVP during in-state supply phase

- A 42" pipeline is oversized when considering only in-state demand
- Low flow rates significantly impact levelized cost of transportation (ie pipeline tariff)
- Tariff is highly sensitive to flow, 500 MMscfd case starts to align with $12/MMBtu supply cap, at low upstream gas purchase price, and a $10bn capex budget.

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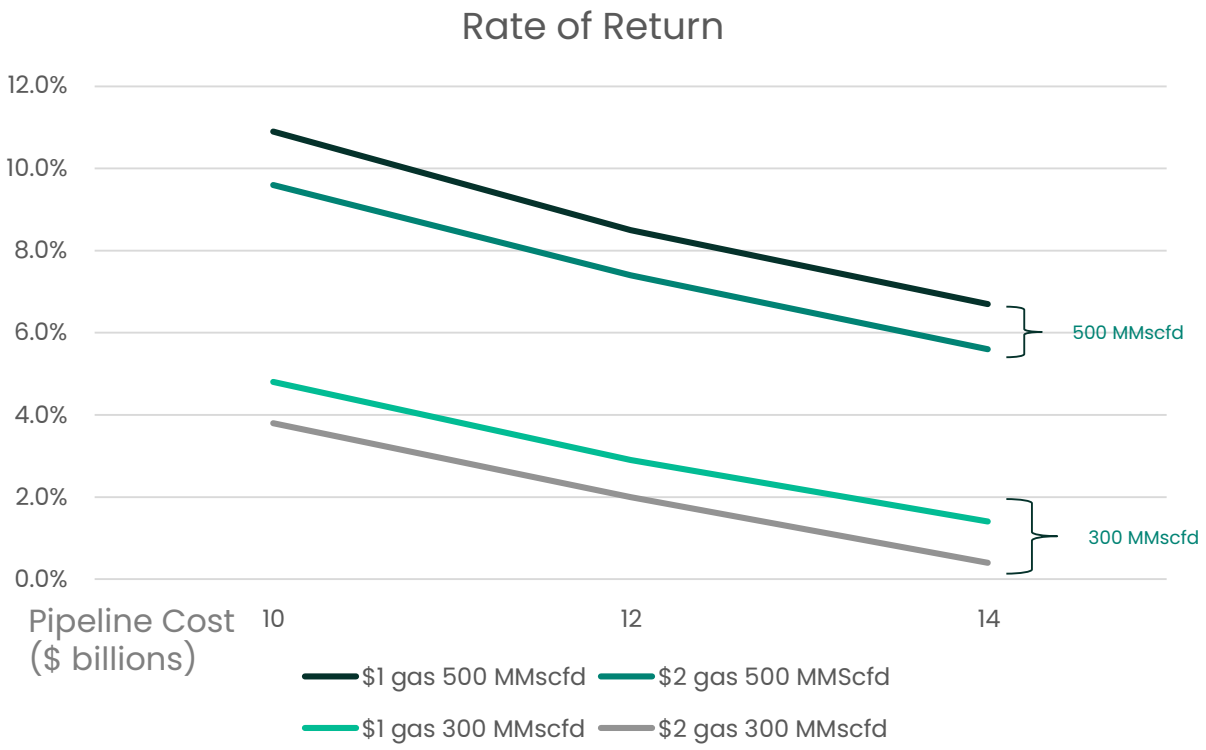
Pipeline Rate of Return at $12 cap



Note: preliminary analysis, based on multiple assumptions, subject to audit and further review. Final analysis may differ. Analysis assumes no property tax or AVP during in-state supply phase

- Pipeline rates of return for 500 MMscfd scenario are in region of investor expectations for a long-term credit-worthy shipper.
- 300 MMscfd scenario does not appear to be within range of likely investor interest.

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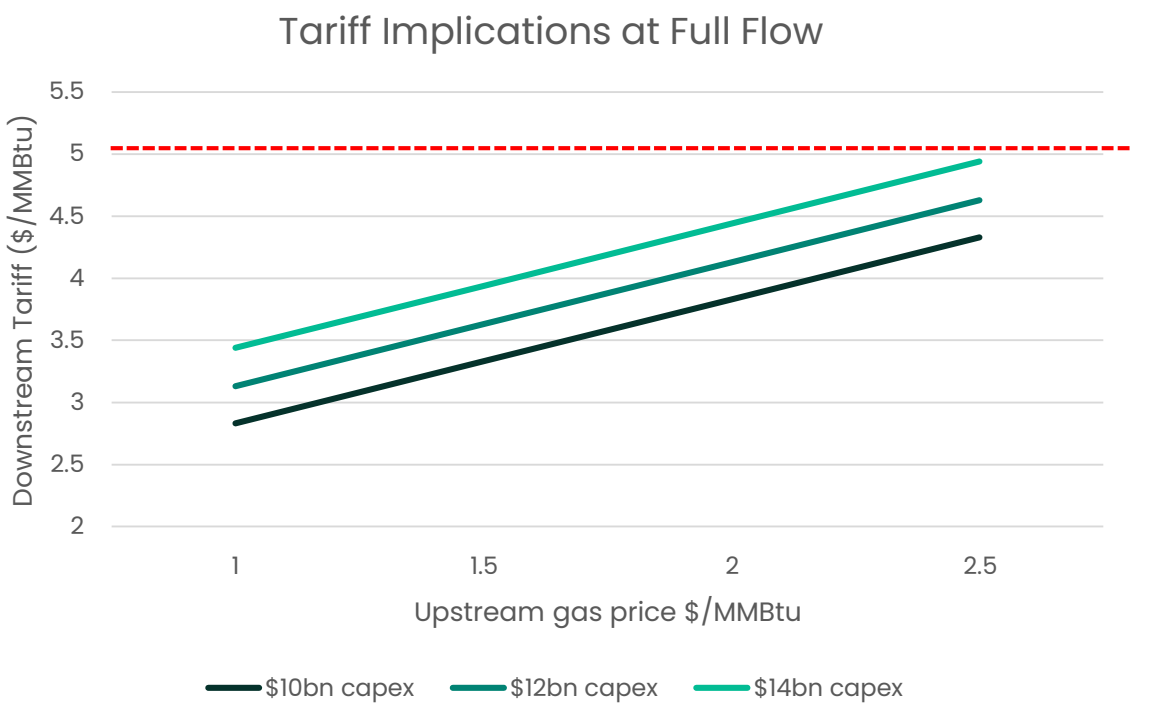
Pipeline Rate of Return at $5 cap



(Note: For full flow, additional $2bn in capex for compression etc is added)

Note: preliminary analysis, based on multiple assumptions, subject to audit and further review. Final analysis may differ. Analysis assumes no property tax or AVP during in-state supply phase

- At a flow of 3,300 MMscfd economies of scale are fully realized.
- An additional $2bn is added to pipeline nominal capex to address compression and other enhancements.
- A $5 downstream cap on gas sales is manageable under all scenarios considered.
- In-state tariff may also be influenced by apportionment of costs and tariffs between in-state gas customers and the LNG project.

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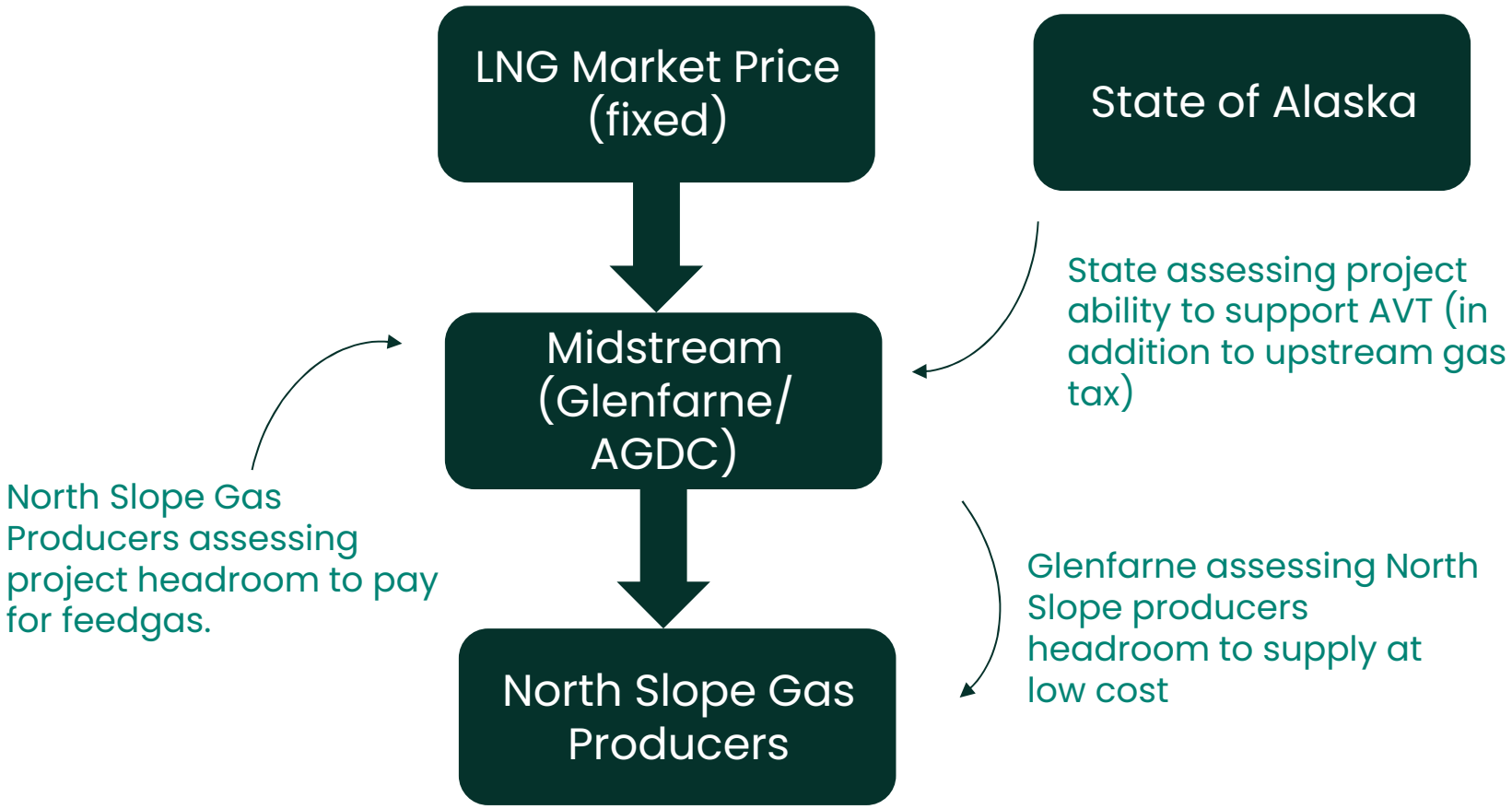
Project dialogue with State

Financial Disclosure to Aid Fiscal Policy

- Resource rich jurisdictions typically require greater disclosure
  - Constitutional obligations
  - Impact on citizens standard of living
- Numerous examples of LNG developers and governments sharing financial data
  - Always within a confidential framework
  - Strictly defined types of data
- International Monetary Fund have a formal framework and guidelines (FARI – Fiscal Analysis of Resource Industries)
  - Budget costs (Class IV, III or II) and phasing, financing structures typical at FEED/pre-FID
- **However..**
  - Public disclosure on CAPEX limited to a broad range before FID is reached.
  - Information sometimes brokered through a so-called “clean team” using shared data files.
  - Small, ring-fenced group (multi-agency reps).
  - Able to redact or aggregate data, share non-sensitive summaries.
  - SB138 enabled *confidentiality framework* and made certain information *exempt from public record.*

Gas Supply – Implications for fiscal outcome

- Who will fund AVT?
  - LNG Buyers ✕
  - LNG investors ?
  - Upstream Gas producers ?
- AVT has implications for upstream gas producers as well as LNG project.
- Upstream Gas Supply Agreement (GSA) is an important feature of the state's fiscal policy decision making.
- Upstream/ Midstream profit split has tax implications.



Important Differences from SB138 Framework

Glenfarne/AGDC Framework

SB 138 Framework

☑ **Upstream Gas Supply Agreement** ☒

Key commercial terms under discussion with North Slope gas producers, tax implications for state, and major profitability consequences for project

Integrated project, gas supply and LNG held in same equity proportions.

☑ **Downstream LNG Sale and Purchase Agreement** ☒

Key commercial terms under discussion with international buyers, moving from LOI to termed SPA.

Equity investors entitled to take own LNG

☑ **Equity Participation Agreement** ☒

Equity interest under negotiation potentially involving LNG offtakers.

Equity portions follow from upstream gas interest.

Economic Modelling Recommendations

- Current model hosted by DOR is the result of over a decade of development through multiple administrations.
- Development has benefitted from multiple agencies, consultants and producers.
- The level of sophistication would be hard to match in any new model and would take months to develop and audit.
- Recommendation:
  - Establish the model hosted by DOR as the de-facto project model.
  - Marginal improvements / alternative scenarios could be provided through:
    - Audit of model.
    - Comparison with other LNG project models.
    - Evaluation of input assumptions (eg rates or return, depreciation)