

SB 280 Version L

# Supporting A Gasline for Alaskans (SAGA) Act

Senate Resources Committee

# The SAGA Act

- CSSB 280 Version S addresses important gasoline policy changes and some technical, clarifying, and conforming changes from the prior committee substitutes and the original bill.
- From the beginning, SB 280 has been a highly complex bill with multiple interacting provisions

# The SAGA Act (cont.)

- The Senate Resources held 36 committee meetings on SB 280 starting on March 27th.
- Since March, we heard from the following departments and groups: AGDC, AOGA, AOGCC, DCRA, DOR, DNR, GaffneyCline, Glenfarne, Pegasus-Global Holdings, RCA, and several borough and city mayors, etc.

# Introduction

- CSSB 280 Version S was crafted without having any financial information about the project costs or the price of delivered gas.
- Phase 1 of the project has yet to reach FID despite it being expected in December 2025, January 2026, February 2026, and March 2026.
- Consultants GaffneyCline and Pegasus consider AKLNG a "gigaproject" as it costs over \$10 billion.

# Introduction (cont.)

- Iron law of mega/gigaprojects: "Over budget, over time, under benefits, over and over again." - Bent Flyvbjerg
- Decision-making and planning involves multiple parties with conflicting interests.
- Tendency for over optimism on costs, benefits, and risk treatment.

# Overview of SRES Goals

1. Protection for Alaska natural gas rate-payers
2. Community Impact Protections
3. Increased AGDC oversight and transparency requirements
4. Revenue measures to offset construction-related costs and losses
5. Contingency provisions if the project does not move forward

# Protection for Alaska Ratepayers

- Construction cost overruns above \$15 billion cannot be passed on to Alaska utility customers
- Gas rates are capped at \$12/mcf during Phase 1 (in-state use only) and \$5/mcf during Phase 2 (exporting)
  - These price caps were based on numbers posted on social media by the Administration.
- The RCA has authority to enforce both the cost overrun cap and rate caps

# Protection for Alaska Ratepayers

- The pipeline must include a direct spur line to Fairbanks and the Fairbanks North Star Borough
- Cook Inlet gas producers must have access to the pipeline on commercially reasonable terms, keeping Southcentral supply options open

# Community Impact Protections

- Creates the Alaska Gasline Community Impact Fund with two accounts:
  - **Gasline Construction Impact Account:** funded by a one-time \$50 million payment from the project developer; grants go to communities along the pipeline corridor based on the need and severity of construction impacts
  - **Statewide Gasline Impact Account:** funded by \$30 million per year for 5 years' distributed to all communities statewide on a per capita basis through the Community Assistance Program
- Priority to in-state utilities if pipeline capacity is reduced

# Oversight and Transparency

- AGDC board meetings require 10 working days' public notice, or 3 days in emergencies
- Confidentiality agreements may not hide contract terms that create fiscal risk to the state, project economics relevant to appropriations, or subsidiary ownership structure
- Legislators may request any information AGDC is prohibited from keeping confidential

# Oversight and Transparency (cont.)

- Legislative approval is required before AGDC issues bonds, transfers subsidiary interests, or agrees to a state investment option in the project
- AGDC must provide quarterly reports to legislative leadership when entering into a legal relationship with a foreign entity
- AGDC must notify the legislature if a project partner has a significant change in ownership structure

# Oversight and Transparency (cont.)

- AGDC must negotiate an option for the state to acquire an interest; the option must be approved by the legislature and remain open for at least 12 months after initial legislative notification
- AGDC must deposit all revenue into separate general fund accounts subject to legislative appropriation
- Legislative approval is required for bond insurance and any transfer or disposal of a subsidiary interest
- AGDC must use in-state contractors and suppliers to the maximum extent possible

# Alternative Volumetric Tax (AVT)

- SB 280 Version A:
  - AVT would apply to the project after a tax-exempt 'ramp-up period'.
  - The ramp-up period ends 10-years after the pipeline is build **OR** 1 billion bcf/day for 30 consecutive days (whichever is shorter)
  - After the rampup period ends, AVT is \$0.06 mcf/day and then increases by 1% per year (\$0.0601 in year 2)
  - Tax is split between local municipalities based on the portion of the project in that municipality.

# Revenue Measures: AVT (cont.)

- CSSB 280 Version S:
  - Imposes the AVT on throughput of gas treatment plant, pipeline, and LNG terminal.
    - Phase 1 rates (before 250 MMcf/day threshold): \$0.06/Mcf for gas treatment plant (GTP) and pipeline each.
    - Phase 2 rates (after threshold): \$0.10/Mcf for GTP, \$0.15/Mcf for pipeline. LNG terminal rate: \$0.15/Mcf upon commercial operations.
- Rates are adjusted annually for inflation.
- No "ramp up" period – taxes take effect when each project component becomes commercially operational.

# Revenue Measures: AVT (cont.)

- Allocates AVT revenue:
  - Pipeline tax revenue is split 50% to corridor municipalities by mileage and 50% statewide per capita;
  - 50% of GTP tax revenue to North Slope Borough;
  - 50% of LNG terminal tax to Kenai Peninsula Borough.

# Conditions for AVT

- For the project developer to receive the AVT, the project developer must pay a one-time \$50 million impact fee to the state and annual payments of \$30 million for five years during construction.
  - If an annual payment is missed, the AVT is suspended and petroleum property tax is restored for that calendar year.
- Establishes monthly return and payment requirements. Imposes a 10% penalty plus interest on delinquent tax.

# Revenue Measures: S-Corp Tax

- Currently, partnerships, LLCs, and S-corporations do not pay Alaska corporate income tax; income flows through to individual owners to pay state income tax, which Alaska does not have
- Establishes a tax on pass-through entities with Alaska-source income from oil and gas production, transportation, gas treatment, LNG processing, or marine transport or LNG.
- Applies to entities with taxable income over \$1 million; rates range from 5% to 9.4%, dependent on income
- Public corporations including AGDC are exempt income proportional to AGDC's ownership in Alaska LNG is also exempt
- Retroactive to January 1, 2026, penalties and interest waived if paid by January 1, 2027

# S-Corp Tax Brackets

Taxable income	Tax due
Less than \$1,000,000	No tax
\$1,000,000 to \$1,999,999	5% of income over \$1,000,000
\$2,000,000 to \$2,999,999	\$50,000 + 6% of income over \$2M
\$3,000,000 to \$3,999,999	\$110,000 + 7% of income over \$3M
\$4,000,000 to \$4,999,999	\$180,000 + 8% of income over \$4M
Over \$5,000,000	\$260,000 + 9.4% of income over \$5M

# Revenue Measures (cont.)

- Raises the oil production tax 'minimum floor' from 4-6% of gross value at the point of production for North Slope oil produced on or after January 1, 2027 when ANS price exceeds \$25/barrel.
- Establishes the Dalton Highway Pipeline Corridor Fund to maintain the Dalton Highway and adds a \$0.30 per barrel maintenance surcharge on all oil produced in the state. Tax credits cannot be used to lower the surcharge.

# Contingencies

- None of the tax exemptions or community payments take affect unless the project developer makes the \$50 million one-time payment to the state by January 1, 2038.
- If construction on the pipeline has not begun by January 1, 2028, the exemptions expire and existing property tax structure is restored.

# Contingencies (cont.)

- If at least one major project component has not been completed by January 1, 2032, the exemptions expire and prior law is restored.
- If the annual \$30 million community payment is missed in any year, the alternative volumetric tax is suspended for that year and property tax is restored.
- The AVT tax cut sunsets 10 years after the LNG terminal begins commercial operations. Existing property tax structure is restored.

# Questions?

Thank you!