



# Alaska's Fiscal Regime and Incentives for Gas-to-Liquids (GTL)



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# Alaska Oil and Gas Revenue Sources

- **Royalty**

Straight percentage assessed on most oil and gas production based on lease terms

- **Production Tax**

Tax rate varies with value of production after expenses are deducted

- **Corporate Income Tax**

Up to 9.4% of net profits of oil and gas production as apportioned to Alaska

- **Property Tax**

20 mills assessed on value of property



# ACES Production Tax



Two Important concepts for GTL

- 1. Calculated on the Gross Value at Point of Production (GVPP) minus qualified capital and operating (upstream) expenditures**
- 2. Taxes company that produces and therefore owns the oil or gas**



# ACES Production Tax

Two questions to answer for GTL

- 1. Where will the GTL plant be located?**
- 2. Who owns the plant, the gas, and the GTL products?**



# ACES Production Tax



**Question 1: Where will the GTL plant be located?**

- North Slope?**
- Cook Inlet?**
- Somewhere in between?**

**It makes a BIG DIFFERENCE to the economics!**



# ACES Production Tax

**Question 2: Who owns the plant, the gas, and the GTL products?**

- North Slope gas producers?**
- Cook Inlet gas producers?**
- Third party?**

**Who are we trying to incentivize?**



# Alaska's Fiscal Regime

There are many ways of incentivizing ...

- **Royalty relief**
- **Production tax credits**
- **Property tax exemptions**
- **Corporate income tax credits**



# GTL in Alaska

## Other studies

- Hatch, van Meurs identified the price of natural gas feedstock as the primary driver of economic viability of GTL project





# GTL in Alaska

**—Plenty of potential but we need to hear from the private sector: what are the hurdles as far as industry is concerned?**



# Conclusion

- GTL is one of several options for developing Alaska's gas resource**
- Incentives depend on our desired outcomes: with a strong enough incentive you can do just about anything**
- Incentives possible through production tax, royalty, CIT, property tax, subsidies**
- What is the goal? Is it to create jobs and diversify our economy or is it to fully develop Alaska's natural gas through one major project?**