ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE
March 12, 2025
3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Bill Wielechowski, Vice Chair
Senator Matt Claman
Senator Forrest Dunbar
Senator Scott Kawasaki
Senator Shelley Hughes
Senator Robert Myers

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Ky Holland

COMMITTEE CALENDAR

PRESENTATION(S): ALASKA LNG: UPDATE ON QILAK LNG

- HEARD

SENATE BILL NO. 112
"An Act relating to credits against the oil and gas production tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 112
SHORT TITLE: OIL & GAS PRODUCTION TAX
SPONSOR(s): RULES

02/26/25	(S)	READ THE FIRST TIME - REFERRALS
02/26/25	(S)	RES, FIN
03/12/25	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

MEAD TREADWELL, Chief Executive Officer

Qilak LNG
Lloyd's Energy
Anchorage, Alaska
POSITION STATEMENT: Presented Qilak LNG Update.

DAVID CLARKE, Chief Operating Officer
Qilak LNG
Anchorage, Alaska
POSITION STATEMENT: Assisted with the presentation Qilak LNG Update.

HUNTER LOTTSFELDT, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented SB 112 on behalf of the Senate Rules Committee, Senator Wielechowski, Chair.

MARK MYERS, representing self
Fairbanks, Alaska
POSITION STATEMENT: Answered questions on SB 112.

DAN STICKEL, Chief Economist
Tax Division
Department of Revenue (DOR)
Juneau, Alaska
POSITION STATEMENT: Answered questions on SB 112.

ACTION NARRATIVE

3:30:15 PM
CHAIR GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Myers, Hughes, Claman, Dunbar and Chair Giessel. Senator Kawasaki arrived immediately. Senator Wielechowski arrived during the course of the meeting.

PRESENTATION(S): ALASKA LNG: UPDATE ON QILAK LNG

3:31:09 PM
CHAIR GIESSEL announced the presentation Alaska Liquid Natural Gas (LNG): Update on Qilak LNG

3:31:32 PM
MEAD TREADWELL, Chief Executive Officer, Qilak LNG, Lloyd's Energy, Anchorage, Alaska, presented the Qilak LNG Update. He introduced himself and his colleague, David Clarke. He briefly described their experience in the oil and gas industry and

service to the state of Alaska. He said the [Qilak] team had extensive relevant expertise and that he, as former lieutenant governor, helped create the AK LNG project and monitored Arctic icebreaker developments while chairing the Arctic Research Commission. He noted that some legislators had been briefed already but wanted the public to receive an update as well.

3:33:14 PM
MR. TREADWELL moved to and narrated slide 2:

[Original punctuation provided.]

Today's Presentation

- Project description and update
- What does Qilak LNG seek in the market?
- Proposed Asian Working Groups on Alaska LNG
- What can the State of Alaska do to help?

MR. TREADWELL emphasized that Alaska had repeatedly focused on a single approach to commercializing North Slope gas, which allowed other regions, such as Texas and Louisiana, to advance multiple LNG projects with varying economics. To address both the commercialization of North Slope gas and the Railbelt energy crisis, he argued that Alaska needed to diversify its project strategies. He said Governor Dunleavy had supported efforts toward the Asian LNG market, however, he maintained that the state should devote more attention and "mind share" to the direct-export project from the North Slope.

3:34:48 PM
MR. TREADWELL moved to slide 3:

[Original punctuation provided.]

Vast Alaska Gas Supplies Available to Alaska/Exports, but how?

AKLNG (proposed overland pipeline)
$44 Bn, 20 [Million tons per annum] MTPA project
800-mile pipeline to ice-free port
Over $500 M spent on Feasibility

[Slide 3 consists of a map of the North Slope with the following AKLNG associated locations and stakeholders:

Northstar 0.8 tcf	Hilcorp
Prudhoe Bay 24 tcf	Hilcorp

Point Thomson 6 tcf Exxon
Mackenzie River Delta ~7.5 tcf Various
Endicott 1.6 tcf Hilcorp]

MR. TREADWELL deferred to Mr. Clarke to speak to the composition of gas and the terms of settlement at Point Thompson. He emphasized that there was plenty of gas for more then one project.

3:35:06 PM
DAVID CLARKE, Chief Operating Officer, Qilak LNG, Anchorage, Alaska, explained that the four currently developed North Slope gas fields held about 32 trillion cubic feet (TCF) of reserves, with at least another 100 TCF of probable gas, enough to support more than one LNG project. He highlighted Point Thomson because it is a high-pressure gas-condensate field currently limited to processing 200 million cubic feet per day; providing an outlet for up to 540 million cubic feet per day would allow the field to triple its condensate production. He also noted that Point Thomson required less offshore distance to reach adequate water depth for LNG carriers. Additionally, he pointed out that Canada's nearby Mackenzie Delta contained three major gas fields with another 7.5 trillion cubic feet (TCF), and that [Qilak] had advised the Northwest Territories that a similar development concept could work for their gas resources.

3:36:35 PM
MR. TREADWELL moved to slide 4. He stated that the [Qilak] project was enabled by two technologies that did not exist 15 years ago: advanced ice-capable LNG tanker designs and the miniaturization of LNG facilities, which allowed 4-6 million-ton, and larger, LNG plants to be built on ships or barges in controlled shipyard environments, reducing costs and overruns. He emphasized that when Alaska's political leadership chose to focus solely on a pipeline, Russia had already taken a different approach, moving forward with the Yamal LNG project. He said Yamal which has been shipping LNG 2,600 miles through Arctic ice year-round, sometimes even supplying ports like Boston. In comparison, he emphasized that the distance from Point Thomson to the Bering Strait ice edge in the worst ice conditions was only about 600 miles:

[Original punctuation provided.]

Arctic LNG – A Proven Concept

[A map of Russia, and Alaska and the Arctic Ocean comparing the distances to transport LNG from Yamal

LNG in Russia to the Bering Strait, ~ 2600 Miles versus from North Slope LNG to the Bering Strait, ~ 600 Miles]

Yamal LNG is a 2,600-mile trip from Yamal to the Bering Strait (where sea ice dissipates), whereas Qilak LNG would be only 600 miles

3:38:00 PM
MR. TREADWELL moved to slide 5, Russia began shipping LNG through the Arctic, reliably, in 2017, a ceremonial photo of Russian president Vladimir Putin pressing a button. He observed that many Americans grew up worrying that Russian leaders might press buttons. He said the button President Putin pushed in December of 2017 began the shipping of LNG from Yamal.

3:38:16 PM
MR. TREADWELL moved to slide 6, Russia's Yamal Project, a satellite photo of the Yamal LNG project in the spring of 2011 with the caption: Yamal was a greenfield project in 2011. Alaska was focused on a pipeline to Canada at that time. He said the cost to get gas to Calgary, Canada was more than the value of the gas in Calgary at the time. Under Governor Parnell the decision was made to focus on exporting gas to Asia and the Alaska Gasline Development Corporation (AGDC) was established. He noted that the Yamal LNG project had reached final investment decision (FID) in 2011.

3:38:56 PM
MR. TREADWELL moved to slide 7, Russia's Yamal Project, a satellite photo showing significant infrastructure, YAMAL, Summer 2016, captioned: By 2016, Russia, using modules delivered from Asia via the Bering Strait, completed the Yamal project.

3:38:59 PM
MR. TREADWELL moved to slide 8, Russia's fully completed project was about the same capacity as the proposed AKLNG project in Nikiski. A photo of the Yamal LNG project, Summer, 2019.

3:39:29 PM
MR. TREADWELL moved to and narrated slide 9. He noted that the Yamal expansion received large amounts of capital commitment from China and Japan. He said the decision to put the LNG modules on a floating barge at the mouth of the river was made at this time, demonstrating the viability of the near-shore floating LNG concept:

[Original punctuation provided.]

Russia's plans for expansion of Yamal continue, using the same near-shore concept as Qilak LNG

[Slide 9 includes 2 conceptual images of the Yamal LNG expansion.]

Arctic LNG 2 Project status – stalled now with sanctions after Ukraine War

- Front-end engineering design (FEED) was completed in October 2018
- Final investment decision made in September 2019
- EPC-contract with TechnipFMC was signed
- More than 90 percent of equipment for the project contracted
- Russian government will cover 60 percent of the shipping terminal cost of $2.17 bn

3:40:14 PM
SENATOR CLAMAN asked whether LNG was being shipped from Yamal to locations other than Japan.

3:40:27 PM
MR. TREADWELL said pre-sanctions [Ukraine war], Russia was shipping gas to: Europe and Asia: Japan, Korea, China. He said there was consideration to develop a facility in Kamchatka that would receive gas and send it from there in conventional tankers. He said they were waiting for more icebreaking tankers to reach full production and they were clearly capable of serving markets in both the Atlantic and Pacific oceans.

3:41:12 PM
SENATOR DUNBAR asked whether the government of Russia funded the original operating terminal at Yamal and if so, how much the government invested.

MR. TREADWELL recalled attending a 2008 meeting with European, American, and Russian energy experts during a period of high oil prices. He said Russian representatives made clear their intention to enter the Asian market rather than rely solely on Europe, with Yamal as their leading project. He noted that he had followed this development for many years and addressed questions about subsidies, explaining that Novatek and its partners had paid market prices for LNG equipment and tankers, and that tanker operations were contracted at fair rates to independent shipping companies. While Russia invested in infrastructure, he emphasized that the Yamal project ultimately functioned as a major cash-flow generator for the country.

3:43:20 PM
MR. CLARKE observed that Russian costs were opaque, but it was known that the Yamal onshore project was logistically difficult and very expensive to build. He said this was why subsequent development consisted of nearshore LNG facilities that were built in a shipyard and then floated to the location, a more predictable venture than building a large plant onshore in the Arctic.

3:44:23 PM
MR. TREADWELL moved to and narrated slide 10. He noted the shape of the icebreaker, with its spoon-shaped stern and V-shaped bow:

[Original punctuation provided.]

> **Qilak LNG will use next generation icebreaking tankers, proven by Yamal**
>
> [Slide 10 includes a schematic rendering of an icebreaker: Yamal Arctic LNG and a photo of an ice-breaker traveling through an icy sea.]
>
> Rated to Arc7 (IACS Polar Class 3)
>
> - **Icebreaking capacity (astern): 2.1 m**
>
> Double-Acting Ship (DAS) concept
>
> Example of globalization in the Arctic
>
> - **Designed in Finland**
> - **Built in South Korea**
> - **Operating in Russia by international carriers**
>
> 15 built since the launch of the Christophe de Margerie in 2016

3:45:13 PM
MR. TREADWELL moved to slide 11. He said the propulsion for the icebreaker was provided by azipods which can swing 360 degrees allowing the ship's bow to become the stern and vice versa. He described the nature of the ice encountered by the ships as they travel to the Bering Strait:

[Original punctuation provided.]

> **Yamal Mk I Dual Acting LNG Carrier Azipods**

Inset underwater photo captioned, View taken from below the vessel in ice test tank

Shipyard photo captioned, Ice breaking stern of LNG Carrier with three 15MW Azipods

3:45:45 PM
MR. TREADWELL moved to and narrated slide 12:

[Original punctuation provided.]

LNG Shipping Solution for Arctic Waters

[Slide 12 includes three photos of LNG vessels traversing open water and ice.]

[Slide 12 includes a Pacific-centered hemisphere map locating Yamal, Korea, Japan, China, Philippines, North Slope Alaska, AKLNG and Mackenzie Delta.]

Shipping Distances:
From Alaskan North Slope to:

	(NM)
Ice Limit	~600
Tokyo	3350
Inchon	4100
Shanghai	4200
Manila	5050
Saigon	5700
Bangkok	6300

USGC ports ~6,000 NM longer via Panama Canal
~11,500 NM longer via Cape H

- Double Acting Technology (DAT) ice class LNG carriers have increased capability to traverse ice up to 2.1m thick
- The U.S. Coast Guard Polar Security Cutter (PSC) program has received multi-year funding commitments expected to complete 2 of 3 new heavy polar icebreakers for deployment coincident with Qilak.
- Air and water quality risks with an LNG project are far lower than previous oil exploration and production projects permitted in the region even during winter months
- Warming ocean temperatures have resulted in later ice formation and earlier breakup in the Beaufort, Chukchi and Bering Seas and also an increase in the

proportion of annual ice which is easier to navigate through than multiyear ice. Southerly winds have left the Bering Sea with comparatively less ice in recent years

3:47:04 PM
SENATOR MYERS inquired about the number of months each year that these ships could operate.

3:47:13 PM
MR. TREADWELL said they could operate all twelve months.

3:47:19 PM
SENATOR KAWASAKI recalled a map of LNG tanker movements around the globe and noted minimal activity in the Pacific. He asked if there was any LNG production on the east side of Russia at present, for example Sakhalin.

3:47:59 PM
MR. TREADWELL said Japan's nearest LNG source was Sakhalin Island. He said existing supply contracts [between Japan and Russia] are coming up for renewal and may become available to the U.S. He explained that when the Ukraine war began, the U.S. sanctioned many areas but allowed Japan to continue purchasing Russian gas, likely to give Japan time to secure alternative supplies. Since then, Japan has been slow to renew its contracts with Russia.

3:48:50 PM
SENATOR KAWASAKI acknowledged Mr. Treadwell's experience and sought his opinion about President Trump's discussions with the Prime Minister of Japan. He noted that there seemed to be more excitement, but that it was difficult to gauge.

3:49:22 PM
MR. TREADWELL said there would be specific mention [of interactions between President Trump and the leaders of other countries later in the presentation. He reflected on productive discussions and growing interest in Alaska's gas resources and emphasized that Alaska has enough gas for two separate projects. He said it was important to communicate this clearly to stakeholders and noted that Japanese officials responding to President Trump's outreach were aware of both proposed projects.

3:50:22 PM
MR. TREADWELL moved to slide 14 and deferred to Mr. Clarke.

MR. CLARKE narrated slide 14. He said the structure would house the LNG plant and accommodations on the top deck, store one and a half to two shiploads of LNG in its hull and include a dock for weekly loading. The expected dimensions will roughly be 340m × 80m × 33.5m and require at least 15m of water depth. He noted that a similar design was studied for the Mackenzie Delta and originally estimated at $5 billion, but detailed engineering later suggested about $4 billion in 2020. With inflation, the team is confident in the $5 billion estimate. He said the project benefitted from a very short pipeline, six to nine miles, reducing risk compared to long-distance pipelines. He said the overall cost estimate equates to about $1,250 per ton of capacity.

[Original punctuation provided.]

Exporting LNG from Alaska's North Slope

Reduced shipping cost to Asia vs Yamal

- **Yamal LNG is a 2,600-mile trip to the Bering Strait, whereas Qilak LNG will be only 600 miles**

Round Trip + 6 Port Days

- **Asia in Summer: 22 days**
- **Asia in Winter: 25 days**

Near Shore LNG Facility (NSLNG)

- **Built under controlled conditions in a shipyard (can be pre-commissioned)**
- **Floated to site and ballasted down on seabed (displacement 270,000t)**
- **Storage in hull, LNG plant on topsides, dock for unloading**
- **Dimensions: 340m x 80m x 33.5m6 – 9 mile pipeline**

[Slide 14 includes the map displaying the arctic routes from Yamal to the Bering Strait and from North Slope LNG to the Bering Strait.]

3:53:17 PM
MR. TREADWELL moved to and narrated slide 15. He focused on the financial expectations for the project, which he said represented a small but good start for commercializing North Slope gas, adding that another field, such as Endicott, could help complete a 20-year contract to pay for the project. He explained that the Capex of $1,012–$1,150 per ton placed the project in the "sweet spot" of global LNG competitiveness and

was cheaper than several pipeline-heavy projects in Alaska and Canada. He said [Qilak] could deliver gas for under $6/MMBtu, which would keep the project viable even in lower price environments, benefit Alaska through more reliable royalties and taxes, and make lenders more comfortable about the project's competitiveness and risk:

[Original punctuation provided.]

Qilak LNG Investment Highlights

ExxonMobil is a Reliable Supplier that will Provide Treated (Liquefaction Spec Gas Supply) Gas; and is an Experienced Upstream Operator Globally and in the Arctic

Management Team with Deep Experience and Strong Political Support in Alaska, East Asia and Washington, D.C.

Cost-Advantaged LNG Solution with Significant Savings vs. USGC, Western Canada, East Africa and AUS/PNG - Target LNG Quality ~1,060 [British Thermal Units per standard cubic foot] BTU/scf, Suitable for All Key Far East Markets Including Japan, Korea and China

Opportunity to Open a New Leading Global Gas Province to LNG Development Beginning with Developed Resource at Point Thomson (Potential of 20+ [million tons per annum/year] Mtpa in a Rising Market)

Buyer Interest in Core Asian Markets to Downstream Projects (~13 Mtpa). [memorandums of agreement] MOUs in Place with China, Japan, Philippines, and Thailand

Proven, Cutting-Edge Technology Solution to Mitigate Arctic Challenges and Risks

4 Mtpa
Export Capacity of Qilak LNG 1 Terminal

560 [million cubic feet per day] MMcfd
Minimum feedgas supply in ExxonMobil HoA

20 Years
Duration of feedgas HoA with ExxonMobil

$1,000 - $1,250
Expected capex per ton of liquefaction capacity

<$6 / [million British thermal units] MMBtu
Expected delivered cost to East Asia

14 Days
Shipping days to premier East Asian offtakers

3:55:42 PM
MR. TREADWELL moved to and narrated slide 16:

[Original punctuation provided.]

> **Asia's Closest U.S, Source of Natural Gas Offered by Qilak LNG**
>
> Lower upstream costs from a prolific conventional source and proximity to Asian demand provide a differentiating LNG proposition
>
> [Slide 16 includes a map captioned, Qilak LNG is ~2,000 Miles Closer to Market than Yamal LNG. The map illustrates the shipping routes from LNG Hubs to Inchon South Korea:
>
> North Slope, AK
> Sabine Pass, TAX CREDIT
> Yamal, Russia]
>
> Qilak LNG Shipping Costs Superior to USGC LNG
>
> - 50% shorter route to Asian markets
> - Avoids the Panama Canal fees and bottlenecks
> - Long Term geopolitical benefits for Korea, Japan, Philippines from circumventing passage through potentially conflicted South China Sea
> - Fewer vessels required due to shorter distance
>   - ~5,000 miles from Qilak LNG to Asia
>   - ~10,000 miles from USGC to Asia
> - Capability to ship year-round has been demonstrated by performance data from Yamal LNG and shipping simulations
>
> [Slide 16 includes a bar graph comparing the cost of shipping LNG from Qilak to Asia, 30 percent lower, with the cost to ship from the US Gulf Coast to Asia.]

MR. TREADWELL highlighted Qilak LNG's competitive position, noting it was the closest LNG source to Japan, only slightly closer than Nikiski or Point Thomson, though without the need

for an 800-mile pipeline. He said shipping from Alaska to Tokyo was therefore highly competitive, and even more advantageous compared to Gulf Coast LNG, which faced longer routes and Panama Canal constraints. He also emphasized the broader shift in global LNG, noting that fracking enabled major export growth from the Gulf Coast and led to many independent LNG projects replacing Russian gas in Europe and supplying markets like South America. He said Qilak's strengths were its favorable cost placing it firmly in a competitive "sweet spot."

3:57:31 PM
SENATOR DUNBAR asked whether there were currently floating platforms operating in arctic environments. He referred to the Merchant Marine Act/Jones Act and asked whether the platform would be built at an Asian shipyard or in a lower 48 shipyard, delivered through the Panama Canal.

3:58:06 PM
MR. TREADWELL addressed Senator Dunbar's second question. He noted that Senator Myers was working on SJR 11 which focused on Jones Act issues related to Alaska gas. However, he said the barge and gravity-based structure were not required to conform to the Jones Act and compared [the floating platform] to other artificial islands and offshore oil and gas facilities. He deferred to Mr. Clarke.

3:58:57 PM
MR. CLARKE said two of the three near-shore LNG facilities were installed in the arctic. He said they produced for a while but were currently not producing because of the limited supply of ice-breaking ships.

3:59:24 PM
MR. TREADWELL and Mr. Clarke noted upcoming meetings would clarify the cost for the required ice-breaking ships, expected to be around $390 million.

3:59:52 PM
MR. TREADWELL noted that Hanwha, the manufacturer of the ice-breaking ships, recently purchased a shipyard in Pennsylvania, which may satisfy Jones Act stipulations. He said the state of Alaska could help as a partner in the feasibility study by focusing on two or three core issues on gas to Alaskans.

4:00:30 PM
MR. TREADWELL moved to and narrated slide 18:

[Original punctuation provided.]

Anticipated Project Timeline / Steps

Pre-Construction:

2025:	Complete Feasibility Studies	Award pre-FEED pre-FEED Contract
2026	NEPA Filing	Award FEED Contract
2027	Complete FEED	Continuation of Detailed Design
2028	Target FID	

Construction:

2029	LNG Facility Begins Construction	Award Contract for LNGC and Icebreaker Construction
2030	LNGC and Icebreaker Construction	
2031	Pipeline Infrastructure Construction	
2032	Complete Pipeline Infrastructure Installation	LNG Facility
	Commissioning	LNG Plant Start-Up
	First LNG Cargo (Jan 2033)	

4:01:25 PM
MR. TREADWELL moved to slide 19 and deferred to Mr. Clarke for narration:

[Original punctuation provided.]

Environmental, Social and Corporate Governance

Supplying the developed and developing economies of Asia with natural gas represents an opportunity to reduce global carbon emissions

1. Environmental

- Qilak is committed to reducing greenhouse gas emissions by using gas as a bridge fuel
- Upstream fugitive methane emissions from the Point Thomson conventional gas field are orders of magnitude less than from typical L48 unconventional gas fields which supply USGC LNG projects
- Investors looking to make "green" (sustainable) investments in LNG should prioritize the Alaskan Arctic (Qilak) versus the USGC and Western Canada due to lower global GHG impacts.
- All CO2 removed from feed gas will

2. Social

- Extensive engagement with local stakeholders to minimize impact on subsidence activities, e.g., ongoing dialogue with the Alaska Eskimo Whaling Commission (AEWC)
- Qilak will maximize local hire during the engineering, construction and operational phases and investigate ways to provide affordable fuel to Alaskan coastal communities
- Project will generate significant tax revenues to support local communities and for the Alaskan State

3. Corporate Governance

- Maintenance of Arctic Food Security to native communities is a core corporate value
- Qilak will provide the opportunity for local native corporations to invest in the project
- Aspirations to become a leader in sustainable Arctic shipping
- Currently investigating the Arctic Economic Council investment protocol and other commitments to sustainability and inclusion

4:02:56 PM
MR. CLARKE moved to and narrated slide 20:

[Original punctuation provided.]

Qilak – North American LNG Project with the Lowest Greenhouse Gas Emissions

Peer-reviewed scientific analyses have concluded that the level of methane emissions from the North Slope are approximately two orders of magnitude less than from the gas fields that supply the U.S. Gulf Coast LNG plants.

Production of LNG in the Arctic is up to 31 percent more efficient than in hot regions (e.g. GOM, Middle East).

[Slide 20 includes a bar graph and photos illustrating the: Relative 100-Year Greenhouse Gas Emissions Across LNG Projects (Kg Co2e/MWh) for:

Chinese Coal (Low Tech)
Chinese Coal (High Tech)
USGC LNG (Shale Gas)
Kitimat LNG (Monteray Shale)
Qilak LNG (Point Thomson)

Upstream Gas/Coal Extraction, Gas Liquefaction, Tanker/Rail Transport, LNG Regasification, Power Plant Operations]

4:03:43 PM
MR. TREADWELL commended the Alaska legislature and the governor for progress on carbon sequestration initiatives and noted that it was specifically requested by Japan. He highlighted emerging technologies such as converting captured carbon into graphite and said Qilak invited some companies to contribute to the project's feasibility study to explore these options.

4:04:43 PM
MR. TREADWELL moved to slide 22. He explained that LNG from Point Thomson could potentially be shipped to Nikiski, seasonally or year-round using an icebreaking tanker, allowing flexible contracts with Railbelt utilities. He said LNG trading was common in the global market, so Point Thomson gas delivered to Nikiski could be backed by swaps with other suppliers if needed, while still ensuring emergency supply.

4:06:09 PM
MR. TREADWELL advocated that the state study three options: building a Jones Act-compliant tanker, seeking a Jones Act waiver, or relying on LNG trades. He said these options matter not only for railbelt LNG supply but also for potential markets such as Hawaii, Pacific Islands, and Alaska coastal communities. He urged updates to the Alaska Energy Authority (AEA's) decade-

old gas-to-communities study and recommended broadening the scope of SJR 11 to consider all shipping and regulatory pathways.

4:07:34 PM
MR. TREADWELL highlighted technological advances and flexibility and said ISO container LNG shipments could support intrastate distribution, with filling possible at either Point Thomson or Nikiski. He reported that shipyards in the U.S. and abroad were exploring ice-capable vessels and suggested that federal attention to U.S. shipping competitiveness might expand. He stressed that addressing Jones Act issues was not intended to challenge labor unions, but to solve the practical problem of how to move gas to Alaskans by ship:

[Original punctuation provided.]

Gas to Alaskans

Providing an affordable supply of gas to remote Alaskan communities is a priority for Qilak

Alaska Railbelt:

- Preference is to use LNG produced in Alaska over foreign LNG from Canada or Mexico
- Three options should be assessed:
  - Qilak to build one Jones Act compliant LNGC to deliver LNG from the North Slope to a distribution hub (e.g. Nikiski has 3 existing LNG tanks)
  - Obtain a Jones Act waiver to allow Qilak LNGCs to deliver within Alaska
  - Qilak LNG cargo swap with vessels originating from West Coast ports in Canada or Mexico, which would eliminate need for Jones Act compliant vessels

Coastal Communities:

- LNG could be delivered to coastal communities in ISO containers (filled at Nikiski or offshore using New Fortress Energy's ISO Flex System)
- Recommend updating AEA's 2014 study

[Slide 22 includes a photo of a barge loaded with ISO containers.]

4:10:39 PM

MR. TREADWELL moved to slide 23. He said [Qilak] has a competitive opportunity to bring North Slope gas to market and cautioned against relying on a single project, [AKLNG]. He observed that North Slope gas was discovered incidentally and that high-gas prospects, such as parts of ANWR, won't attract investment until Alaska solves the challenge of shipping its gas. He pointed out that, without a solution, the state cannot benefit from associated royalties and revenues. He emphasized the need to pursue multiple options, highlighting that the [Qilak] team was strong and competing in the same global marketplace as the state-owned [AKLNG]:

[Original punctuation provided.]

Project Summary

Highly competitive opportunity to commercialize prolific Alaskan gas resource using Near Shore LNG ("NSLNG") technologies

A pioneering approach to moving North Slope gas to market

- **Since 2017, Russia has moved approximately 16.5 million tons per year of LNG from Yamal, year-round, by icebreaking tanker – much of it through almost daily ship passage of the Bering Strait.**
  - Scalable opportunity through "design one, build many" philosophy
- **Facility expected to export 4 Mtpa of LNG to customers in East Asia**
- **No Jones Act restrictions associated with Near Shore LNG Facility**
- **Transaction to be structured as equity in Qilak**
  - Post-transaction, Qilak to remain controlling shareholder
  - Subsequent capital raise expected to finance post-FID development
- **Qilak ambition is to access and monetize 30+ [trillion cubic feet] Tcf of proved reserves in North Slope of Alaska (another 100 Tcf of probable reserves)**
  - Heads of Agreement signed with ExxonMobil to provide 20-year feed gas supply from Point Thomson (six-eight Tcf)
  - Gas supply projected to last well beyond 20 years

  - Potential for multiple projects to address broader stranded gas opportunity
  - 20-year project to sell $38Bn in LNG1 with approximately $5Bn CAPEX and identified offtake
- **Qilak LNG targeting completion by 2032, at a time where LNG demand is forecasted to exceed current LNG supply under construction**
- **Several Downstream projects are under consideration that would provide Qilak LNG with access to key growth markets across Asia**

4:12:05 PM
MR. TREADWELL moved to and narrated slide 26:

[Original punctuation provided.]

Feedback from Japan from Trump - Ishiba Summit

[Slide 26 includes a photo taken during the summit captioned, On February 7, Japanese Prime Minister Shigeru Ishiba met United States President Donald Trump for the first time at the White House.]

Japanese Prime Minister Ishiba Shigeru and US President Donald Trump confirmed at their summit that the US will increase exports of liquefied natural gas to Japan.

At a news conference after the summit, Trump said, "Japan will soon begin importing historic new shipments of clean American liquefied natural gas in record numbers."

What the Japanese press and institutions are reporting:

- **PM Ishiba: LNG prices from U.S. should be "reasonable" from the standpoint of Japanese benefit**
- **Alaska LNG (i.e. AKLNG) exports to Japan will provide a diversified LNG source, US/Japan energy security and reduction of Japan-US trade deficit**
- **LNG will be bought by private companies, taking account of price, re-sale possibility and extension-timing of existing contracts**
- **Inside Japanese government, besides the uncertainty of Alaska LNG project realization, uneasy voices**

have been heard about possibility of high pipeline cost could put on LNG price, resulting in higher domestic electricity bills than current level

- **High ranking official of METI "LNG buyers who judge on LNG procurement have to focus on whether price of Alaska LNG can be cheaper than other competing LNG projects." and the review of Alaska LNG at Japan side will be paying close attentions on how such commercial issues as price and re-sale possibility could meet Japan's needs.**

4:13:20 PM
MR. TREADWELL moved to slide 26. He noted past examples where high-level engagement, Reagan and Nakasone [Japan], Trump and Walker, advanced Alaska natural gas discussions. He said Asian buyers' interest in direct-export LNG options from Alaska helped motivate the Qilak project. He said Qilak:

[Original punctuation provided.]

It is reasonable to think that follow-up to the summit will consider multiple Alaska LNG projects…

Qilak LNG has urged Asian customers to study both LNG options from Alaska. There are several scenarios…

- A Japan working group (WG) scenario: to be established by METI (Ministry of Economy, Trade and Industry) and managed by JOGMEC (Japan Organization for Metals and Energy Security). Analyze respective economics of all options (geology, CCS, GBS and pipeline etc.)

- The WG would report to the Director, Resources Development Dept at METI) who may interview potential Japanese investors/buyers (to check their interest in investment in upstream/LNG plant (tolling)/pipeline and LNG off-take)

- U.S/Japan joint WG might be set up depending upon the progress of such WG activity in Japan and possibly triggered by METI Minister (Muto) to U.S./Alaska

- All options for exporting LNG from Alaska could be reviewed (AKLNG and Qilak LNG)

- Duration of WG review is currently unknown (unlikely to be concluded in 2025)

Korea – US working group

- South Korea and the US have agreed to establish a working-level group to discuss a gas pipeline project in Alaska, energy, shipbuilding, tariffs and non-tariff barriers, South Korea's Industry Minister Ahn Duk-geun said on March 4th, 2025

MR. TREADWELL encouraged Alaska leaders to attend an upcoming LNG conference in Japan, because Alaska has large gas resources and multiple viable export routes.

4:15:42 PM
SENATOR WIELECHOWSKI arrived.

4:16:07 PM
MR. TREADWELL moved to and narrated slide 27:

[Original punctuation provided.]

Way Forward

Key benefits of completion of Feasibility Study

1. Tie down costs and economic viability and profitability of project, including projections for Alaska revenues from royalties, taxes.
2. Fulfill commitment to ExxonMobil/Point Thomson Unit and complete gas sales and operational procedures with them necessary to work together on project
3. Obtain commitments for LNG offtake from Asian buyers
4. Bring in partners for next phase of project
5. Have essential project description and data needed to begin permitting process

What does Qilak LNG seek in the market?

1. LNG Market is still growing, but customers want small order quantities; our size is good
2. Strategic and financial partners ready to join but de-risking with Feasibility Study and Permits is issue

3. 25 percent of Qilak LNG can meet Alaska's needs — Qilak LNG is a viable option for coastal Alaska

MR. TREADWELL summarized that [AKLNG] was working to de-risk their project by reducing costs and the [Qilak] project sought to de-risk their project through permitting. He reiterated hope that the state would support both projects.

4:17:10 PM
MR. TREADWELL moved to and narrated slide 28:

[Original punctuation provided.]

What can the State of Alaska do to help?

Support Federal Permitting Path:

- Offshore permitting path with MARAD/BOEM may require Executive Order, Legislation, or Lawsuit
- Obtain DOE export licenses; license already granted for Pt Thomson gas export for various projects

Reiterate State Support in the Marketplace:

- Governor has said State of Alaska supports both projects
- Qilak LNG founded as markets pushed back on AKLNG in first Trump Administration
- Backstop de-risking for all projects, if for one
- An AEA study re-do on Gas to Alaskans study could be State participation in QilakLNG feasibility study (SJR 11)

Summary:
Don't put all Alaska's eggs in one basket.
(US Gulf states and Western Canada have multiple LNG projects, too)

4:19:18 PM
CHAIR GIESSEL thanked the presenters.

SB 112-OIL & GAS PRODUCTION TAX

4:19:30 PM
CHAIR GIESSEL announced the consideration of SENATE BILL NO. 112 "An Act relating to credits against the oil and gas production tax; and providing for an effective date."

4:19:56 PM

CHAIR GIESSEL solicited a motion.

4:20:08 PM
SENATOR WIELECHOWSKI moved to adopt the committee substitute (CS) for SB 112 work order 34-LS0566\I, as the working document.

4:20:19 PM
CHAIR GIESSEL objected for purposes of discussion.

4:20:25 PM
SENATOR WIELECHOWSKI explained that Senate Bill 21, 2013, originally proposed a 25 percent oil tax rate with no credits, but the Senate raised it to a 35 percent rate with a $5 per-barrel credit. The House later increased the credit to $8 per barrel. Modeling at the time assumed unrealistically high oil prices, and the larger credit has since cost the state about $8.9 billion. He said SB 112 sought to return the per-barrel credit cap from $8 back to $5, matching the Senate's original version. Prior testimony from the Department of Revenue indicated that a $5 cap would keep producers competitive, and former Commissioner Lucinda Mahoney noted that the governor would support this change if the legislature did as well. The proposed adjustment is expected to generate $100–$180 million in additional annual revenue.

4:23:38 PM
HUNTER LOTTSFELDT, Staff, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, presented the summary of changes for CS 112, version I:

[Original punctuation provided.]

Senate Bill 112
Oil & Gas Production Tax
Summary of Changes
34-LS0566\N to 34-LS0566\I

Section 2. On page 3, lines 4-5, Amends AS 43.55.024(j):

Adds in a final $0 per-barrel credit tier for when the gross value of a taxable barrel of oil is at or above $120.

4:24:15 PM
CHAIR GIESSEL removed her objection.

4:24:25 PM

CHAIR GIESSEL found no further objection and CSSB 112 was adopted as the working document.

4:24:35 PM
MR. LOTTSFELDT provided the sectional analysis for CSSB 112, version I:

[Original punctuation provided.]

Senate Bill 112
Oil & Gas Production Tax
Sectional Analysis for Version I

Section 1. Amends AS 43.55.024(i):
Adds language to conform to the new subsection (k) under section 3 limiting the application of the $5 per-barrel credit for new fields receiving a gross value reduction.

Section 2. Amends AS 43.55.024(j):
Adds both conforming language for subsection (k) under section 3 and reduces the per-barrel credit slider from an $8 to $1 slider to a $5 to $1 slider.

Section 3. Adds a new subsection (k) to AS 43.55.024:
This new subsection will tie the amount of per-barrel credits a producer may claim to the amount of qualified capital expenses that producer incurs on their property or leases. Limits a producer's ability to carry forward unused per-barrel credits.

Section 4. Adds an applicability section:
This Act applies to credits from oil production on or after January 1, 2025.

Section 5. Adds a new uncodified law section:
This section addresses the transition of tax payments under this Act.

Section 6. Adds a new section of uncodified law:
This section addresses the Department of Revenues ability to make regulations retroactive.

Section 7. Adds a new section of uncodified law:
Sets a retroactive date of January 1, 2025.

Section 8. Sets an immediate effective date.

4:26:15 PM

SENATOR MYERS asked for an explanation of the mathematical formula and its effects in Section 3.

4:26:38 PM
MR. LOTTSFELDT said the intent of Section 3 was to tie the amount of per-barrel credit a producer receives for barrels produced each year to capital expenditures in that same year.

4:27:26 PM
SENATOR MYERS noted terminology used by Department of Natural Resources (DNR) and the oil companies, specifically:

- unit
- lease
- participating area

SENATOR MYERS asked for clarification of the terms and which of them were addressed by SB 112, Section 3 as "each lease or property".

4:28:26 PM
MR. LOTTSFELDT said "lease" or "property holding" in Section 3 applied to the [specific] producer. He noted that there were individual leases and participation by multiple producers in one unit, as in Prudhoe Bay. He said the intent was to encompass the range of holdings a producer may have.

4:29:05 PM
SENATOR MYERS asked whether SB 112 would require the Department of Revenue to calculate taxes at the level of each small, individual lease rather than at the broader unit level (e.g., Prudhoe Bay, Kuparuk, Endicott). He noted that leases started out small and were later combined into units. He asked whether the intent was to separate tax reporting for every individual lease within those units.

4:30:03 PM
CHAIR GIESSEL suggested that experts available online may be able to answer Senator Myers's questions.

4:30:56 PM
MARK MYERS, representing self, Fairbanks, Alaska, explained that ownership of oil was tied to individual leases, but production occurred from a shared pool of oil. All leases overlying that pool were grouped into a participating area within a larger unit. Units were typically bigger than the proven reservoir to allow for expansion. Production and costs were allocated back to each lease through this unitization process. He opined that

using "lease" in the language for SB 112 was appropriate, as production and costs were allocated to the lease level.

4:31:59 PM
SENATOR MYERS asked for confirmation that the "lease or property" language in SB 112, Section 3, would not require the Department of Revenue to track taxes at the individual lease level, and that the Department of Revenue (DOR) can continue tracking at the unit level instead.

4:32:37 PM
MR. MYERS explained that allocation to individual leases was already handled through established processes. As a field developed and boundaries changed, producers continually recalculated and agreed on each lease's equitable share of production. He noted that the state participated in setting the participating area, which determined unit size. He explained that all oil was produced through shared facilities, and allocations ensured every lessee received their fair share. He said the value per barrel was allocated back to each individual lease in an orderly, existing system.

4:33:43 PM
SENATOR DUNBAR asked how SB 112, Section 3, would change practices for producers on the North Slope from the way they operate currently.

4:34:47 PM
MR. MYERS said he did not think it was different in terms of the way barrels and costs per barrel were allocated. He said the change was to limit the amount of credit a producer can claim based on the amount of capital.

4:35:17 PM
SENATOR WIELECHOWSKI said SB 112, Section 3, ensured that companies would not receive more in tax credits than the amount they spend on qualified capital expenditures. He said for example that if a company spent $100 million in Prudhoe Bay, its tax credits could not exceed $100 million. He emphasized that the goal of SB 112, Section 3 was to encourage investment while preventing credits from surpassing real spending. He noted that in practice, the change would have a minimal effect because companies generally did not receive credits above their expenditures.

4:36:26 PM

SENATOR DUNBAR asked for confirmation that SB 112 applied to capital expenditures in producing fields and not to fields in development, like the Willow project.

SENATOR WIELECHOWSKI concurred and explained that the language [of SB 112, Section 3] limits a producer's tax credits to no more than the qualified capital expenditures for that specific lease or property. He said a producer could not apply credits that exceed what they spent on that property.

4:37:01 PM
SENATOR CLAMAN asked whether, under the language of SB 112, Section 3, any unused portion of the capital-expenditure-based tax credit disappeared at the end of the calendar year. For example: if a producer has $300 million in qualified capital expenditures but only $200 million of tax liability to apply credits against, would the remaining $100 million in credits be forfeited, since the subsection says unused credits may not be carried forward.

4:37:57 PM
SENATOR WIELECHOWSKI affirmed that the credit could not be carried forward.

4:38:02 PM
SENATOR CLAMAN asked how that differed from today.

4:38:09 PM
SENATOR WIELECHOWSKI said the impact of SB 112 would be minimal. He said the presentation included ten-year future modeling by Department of Natural Resources (DNR).

4:38:28 PM
SENATOR CLAMAN clarified his hypothetical example: If a producer had $300 million in credits but can only use $200 million in the first year, under current law the remaining $100 million could be carried forward and used the next year. His question was whether SB 112 would change that, meaning the extra $100 million would no longer be usable in year two.

4:38:54 PM
SENATOR WIELECHOWSKI explained that two separate mechanisms were involved:

- Carry-forward of lease expenditure deductions
- Carry-forward of the *per-barrel* tax credit

SENATOR WIELECHOWSKI said SB 112 would affect only the per-barrel credit, limiting the ability to carry it forward. SB 112 would not affect companies' ability to carry forward lease expenditure deductions. DOR's modeling suggested the overall impact of this change over the next decade to be minimal.

4:39:51 PM
MR. LOTTSFELDT moved to slide 2. He explained that there were currently two types of per-barrel production tax credits:

- A flat $5 credit for new production fields that qualified for a gross value reduction (GVR).
- A sliding per-barrel credit that provided $8 when oil is $80 or less, then gradually decreased as oil prices rose, dropping to $1 at $140–$150, and becoming zero above $150.

MR. LOTTSFELDT explained that the sliding credit was a form of reverse progressivity, designed to offer more support when oil prices were low and less when prices were high and production more profitable.

[Original punctuation provided.]

> Where we currently are:
>
> Current Law: The State of Alaska's major North Slope production fields receive a credit per-barrel of taxable oil. The amount of that credit is based on the sliding scale of average gross wellhead value.
>
> $8/barrel at less than $80;
> $7/barrel at $80 to less than $90;
> $6/barrel at $90 to less than $100;
> $5/barrel at $100 to less than $110;
> $4/barrel at $110 to less than $120;
> $3/barrel at $120 to less than $130;
> $2/barrel at $130 to less than $140;
> $1/barrel at $140 to less than $150;
> $0/barrel at $150

4:40:55 PM
MR. LOTTSFELDT moved to and narrated slide 3:

[Original punctuation provided.]

> Where did Per-Barrel Credits come from?

- SB 21, from 2013, the "More Alaska Production Act" (MAPA), was introduced with no per-barrel credits.
- A flat $5 per-barrel credit was added by the Senate before passing the body. This version of SB 21 was supported not only by the Senate, but the Governor and Industry as well.
- The House made the flat $5 per-barrel credit apply to new fields. The House then added a sliding scale per-barrel credit that went $8 to $1 for oil prices $80 and below, up to $150 and below.

4:41:57 PM
MR. LOTTSFELDT moved to slide 4. He emphasized that the price of oil was much lower in reality than had been modeled for Senate Bill 21, 2013:

[Original punctuation provided.]

There was little time to consider these changes

- SB 21 was sent back from the House with these new per-barrel credits the day before adjournment.
- The Senate on the last day of session voted to concur with the changes made by the House.
- The new per-barrel credits were modeled on a forecast average Alaska North Slope ($ANS) price of $106.2, the real average price over the same period was $61.1.

4:44:18 PM
MR. LOTTSFELDT moved to and narrated slide 6:

[Original punctuation provided.]

Chapter 8
4
Historical Production Tax Credits and Forecast
FY 2015 - FY 2034

Since 2014 Alaska has lost $8.6 billion to per-barrel credits

[Slide 6 contains a table of various tax credits for the oil and gas industry from FY 2015 through FY 2024, highlighting the per taxable barrel credit, AS 43.55.024(i)-(j).]

Source: 2024 Fall Revenue Sources Book

4:44:28 PM
MR. LOTTSFELDT moved to and narrated slide 7:

[Original punctuation provided.]

> Chapter 8
> 4
> Historical Production Tax Credits and Forecast
> FY 2015 - FY 2034
>
> The State of Alaska is projected to give out another $6.5 billion in the next 8 years.
>
> [Slide 6 contains a table of various tax credits for the oil and gas industry from FY 2025 through FY 2034, highlighting the per taxable barrel credit, AS 43.55.024(i)-(j).]

Source: 2024 Fall Revenue Sources Book

4:44:40 PM
SENATOR MYERS recounted a past conversation where someone involved in creating the per-barrel credits explained that they were designed to introduce progressivity into Senate Bill 21, like Alaska's Clear and Equitable Share (ACES) used a progressive tax rate that increased by small increments, for example, a quarter-percent, as prices rose. He asked whether the state was now saying it lost money because of per-barrel credits under Senate Bill 21, and if that implied the state would also have lost money under ACES, which used a different but still lower level of progressivity and a lower tax rate?

4:45:39 PM
MR. LOTTSFELDT said forego may be a better term than lost. He explained that the state was foregoing revenue.

4:46:06 PM
MR. LOTTSFELDT moved to and narrated slide 8. He pointed out that between 2016 and 2021 the production tax revenue was less than the amount of incentive the state was giving in per barrel credits:

[Original punctuation provided.]

> History of production tax revenue vs. per-barrel credits

[Slide 8 contains a line graph comparing revenue to the State of Alaska through Production Tax vs Per-Barrel Credits.]

Sources: 2024 Spring Forecast & 2024 Fall Revenue Sources Book

4:46:36 PM
MR. LOTTSFELDT moved to and narrated slide 9:

[Original punctuation provided.]

Per-Barrel Credits Have Not Incentivized Investment on the North Slope: Expenditures

[Slide 9 includes a table illustrating Qualified Capital Expenditures for the Prudhoe Bay Unit and for all other Alaska North Slope (ANS) producers.]

Source: DOR Reported ANS Lease Expenditures and Capital Lease Expenditures: CY 2014 – CY 2023 & DOR's response to SRES 3.3.25

4:46:59 PM
SENATOR MYERS noted apparent contradiction in how the per-barrel credits were being described. They're said to provide tax progressivity, yet also said to incentivize investment, two purposes that don't obviously align. If, in 2013 [Senate Bill 21], the credits were primarily intended to make the system progressive, then SB 21 already had separate provisions designed to encourage new development through allowable lease expenditures. He asked why it mattered now whether the per-barrel credits incentivized investment, if their original purpose was progressivity rather than investment.

4:47:47 PM
MR. LOTTSFELDT clarified that the per-barrel credit was not traditional progressivity but reverse progressivity—providing more benefit at lower oil prices to incentivize production and maintain jobs.

4:48:40 PM
SENATOR MYERS asked whether the intent under the previous Alaska Clear and Equitable Share (ACES) was also to incentivize production.

4:48:57 PM

MR. LOTTSFELDT said he would follow up when he could provide an accurate answer.

4:49:07 PM
CHAIR GIESSEL noted that the legislature's intent to support new [oil and gas] development and gross value reduction was designed to incentivize new oil development on the North Slope, offering temporary reductions based on price. She suggested that expert testimony was available to explain and answer questions.

SENATOR MYERS affirmed that he would appreciate the opportunity for explanation questions when appropriate.

4:49:59 PM
MR. LOTTSFELDT moved to and narrated slide 10, Per-Barrel Credits Have Not Incentivized Investment on the North Slope: Credits. He highlights that in 2021, Prudhoe Bay received an estimated $448 million in per-barrel credits but only spent $106 million on qualified capital expenditures, showing a significant gap between credits received and actual investment.

4:51:14 PM
SENATOR DUNBAR observed that there appeared to be no clear correlation between the credits collected and capital spending in Prudhoe Bay.

MR. LOTTSFELDT affirmed that credits and capital expenditures appeared unrelated.

4:51:43 PM
SENATOR DUNBAR asked whether any regression analysis had been done to determine how much additional production or capital spending is generated per dollar of tax credit, such as increasing the credit cap from $8 to $9.

4:52:31 PM
DAN STICKEL, Chief Economist, Tax Division, Department of Revenue (DOR), Juneau, Alaska, said no such analysis had been done because predicting how taxpayers will react to tax changes was extremely difficult. He acknowledged that changes in per-barrel credits may influence tax-payer decisions, but the Department of Revenue does not try to estimate the exact impact on investment or production.

4:53:29 PM
SENATOR DUNBAR said his question might be 12 years too late. He reflected that it seemed odd to create incentives without knowing their impact. He acknowledged the complexity but noted

that the policy involved hundreds of millions of dollars. He added the wish that such analysis had been done earlier, and hoped some modeling existed at the time.

4:53:58 PM
SENATOR HUGHES noted a claim by former Department of Revenue (DOR) Commissioner Brian Fechter that changing the credit from $8 to $5 wouldn't affect investment. She noted the claim did not appear to be based on any documented analysis. She asked whether any written modeling or supporting materials existed and, if so, requested that they be provided to the committee.5

4:54:39 PM
MR. STICKLE said he could not speak to past officials' statements and acknowledged that while the Department of Revenue had done various analyses and hired consultants over the years, he didn't know what specific analysis Deputy Commissioner Fechter relied on when making his claim.

4:55:09 PM
SENATOR HUGHES noted that if any analysis existed, DOR should still have it. Since no written work appeared to exist, she asked whether DOR could confidently say the credit change would not affect production, revenue, or royalties.

4:55:38 PM
MR. STICKLE said he would not say with certainty that a tax change would not impact production. He referred to the fiscal note from the Department of Revenue (DOR), OMB Component Number 2476, dated March 7, 2025. He said it was an indeterminate fiscal note in part because SB 112 would be expected to impact taxpayer behavior.

4:56:11 PM
SENATOR WIELECHOWSKI asked Mr. Stickle or another expert available online to explain the lessee's legal duty to produce oil in Alaska, specifically the obligations required when a company holds a state lease.

4:56:31 PM
MR. STICKLE deferred to Department of Natural Resources (DNR).

4:56:40 PM
CHAIR GIESSEL noted that there was not a DNR representative available online. She said there would be more hearings on SB 112 with representation from DNR as well as documentation and modeling from past policy decisions.

4:57:21 PM
MR. LOTTSFELDT resumed the presentation on SB 112, speaking to slide 10. He pointed out that in 2021, Prudhoe Bay producers received about $448 million in credits but spent only $106 million on qualified capital costs, and SB 112, Section 3, aimed to narrow that gap.

4:57:51 PM
SENATOR HUGHES noted that Covid-19 may have affected production in 2021.

MR. LOTTSFELDT acknowledged her observation.

4:58:16 PM
MR. LOTTSFELDT moved to slide 11. He quoted former Alaska governor Jay Hammond:

[Original punctuation provided.]

> "Development that actually costs the state remains Alaska's least understood and most pressing economic problem. Few politicians seem concerned that we do not extract enough wealth from new resource development to offset its costs."
>
> -Governor Jay Hammond
>
> [Slide 11 includes a photograph of Governor Hammond.]

4:58:50 PM
SENATOR MYERS asked whether the per-barrel tax credits resulted in foregone state revenue so large that it failed to cover state costs such as Department of Natural Resources (DNR) and Department of Environmental Conservation (DEC) oversight, and Department of Transportation and Public Facilities (DOTPF) maintenance of the Deadhorse airport and the Haul Road.

4:59:25 PM
SENATOR WIELECHOWSKI answered that Alaska's current tax structure [under Senate Bill 21] resulted in three consecutive years of effectively negative oil taxes, meaning the state paid companies more in credits than it collected in taxes. He argued that this fails the constitutional requirement to obtain maximum value from the state's resources. He noted that oil once funded 90 percent of Alaska's budget but currently funded only about 30 percent. He likened it to an employee volunteering for a salary cut from $90,000 to $30,000 and then struggling to pay bills,

asserting that Senate Bill 21 massively reduced revenue and harmed the state's fiscal position.

5:00:42 PM
SENATOR MYERS asserted that a wholistic conversation would be necessary to consider not only the severance tax, but also royalties and other revenue the state received from oil companies.

5:01:00 PM
SENATOR WIELECHOWSKI concurred and emphasized that one of the largest producers on the North Slope was currently paying zero corporate income taxes and there should be continued hearings on that.

5:01:15 PM
CHAIR GIESSEL referred to the graph on slide 8. She pointed out that during 2021-2024, the four dollar-per-barrel minimum tax was crucial for the state, especially when oil prices briefly went negative during COVID. She said that the minimum tax essentially "saved" the state's bacon in those years.

5:01:54 PM
MR. LOTTSFELDT moved to and narrated slide 12:

[Original punctuation provided.]

> **What SB 112 does**
>
> SB 112 reduces the sliding-scale per-barrel credit by $3 and ties credits received to the amount of capital investment by the producer:
>
> - Sliding per-barrel credits vary between $5 for oil priced at $80 or less and $1 for oil priced at $120 or less, and $0 thereafter.
> - Producers may only claim credits commensurate with their qualified capital expenses from the same year.
>
> The new investment caveat encourages investment spending on projects in Alaska that will maintain production, create jobs for Alaskans, and promote industry growth.

5:02:59 PM

MR. LOTTSFELDT moved to slide 13, How much does SB 112 raise? He said the table in slide 13 contained modeling for SB 112 by DOR for fiscal years 2026 through 2035:

- Row 1: projected revenue gain from the three-dollar credit reduction.
- Row 2: projected revenue with unchanged credit amount; but linking credits to qualified capital spending (SB 112, Section 3).
- Row 3: Combining both changes, projected to bring in about $190 million in FY26, tapering to about $100 million by FY35.

5:04:20 PM
CHAIR GIESSEL held SB 112 in committee.

5:04:44 PM
There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 5:04 p.m.