

SCOMM

128:21

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB9
() Publish Date: _____
Dept. Affected: Natural Resources
BRU: Oil & Gas Development
Component: Oil & Gas Development
Component Number: #439

Revision Date/Time (Note if correction): _____
Title: Stranded Gas Development Project
Sponsor: Representative Green
Requester: (H) Oil & Gas

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: none

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact to DNR associated with implementation of this legislation.

Prepared by: Mark Myers, Director
Division: Oil & Gas
Approved by: Pat Pourchot
Agency: Natural Resources

Phone 269-8800
Date/Time 1/29/01 2:49 PM
Date 1/29/01 2:49 PM

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(Rev 11/2000 OMB)

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FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 9
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Stranded Gas Development Project BRU: Administration/Support
Component: Commissioner's Office
Sponsor: Representative Green
Requester: House Oil & Gas Committee Component Number: 123

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	89.0	89.0				
Travel	20.0	25.0				
Contractual	150.0	200.0				
Supplies						
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	261.5	314.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	111.5	114.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutorily Designated Receipts	150.0	200.0				
TOTAL	261.5	314.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would amend the Stranded Gas Development Act (HB393 Finance of the 1998 session) to eliminate the provision limiting the Act to only liquefied natural gas projects. This would allow natural gas and gas-to-liquid projects to be included under the Act. It should be noted, however, that AS 43.82.170 sets a June 30, 2001, deadline for applications under the Act, which would not be amended by this legislation.

The Act allows the Department of Revenue under AS 43.82.240 to recover the costs of contracting with an independent consultant to assist the state in evaluating applications submitted under the Act. Those statutorily designated program receipts are shown above. However, the Act does not allow the state to seek reimbursement from a project applicant for any other costs. The department would hire a project manager for the estimated two years of negotiations, and the personnel services, travel and equipment expenses for that position and other commissioner's office expenses are shown in the fiscal note as general fund money.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division: Department of Revenue Date/Time 1 p.m., Jan. 27, 2001
Approved by: Wilson Condon, Commissioner Date Jan. 28, 2001
Agency: Department of Revenue

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Representative Joe Green
District 16

Sponsor Statement

HB 9 – Amendments to the Alaska Stranded Gas Development Act

HB 9 expands the applicability of AS 43.82.100 which has the effect of allowing the sponsor of a project *other than* a liquefied natural gas transportation system to apply to the commissioner to make payments in lieu of taxes.

In 1998 the legislature passed HB 393 (codified at AS 43.82 as the Alaska Stranded Gas Development Act) allowing the Commissioner of Revenue to negotiate terms for the payment of taxes on a project to export liquefied natural gas (LNG). At the time, the most likely scenario for the development of North Slope natural gas was thought to be the export of LNG to Asia. Under the price regime of the day, legislators and producers saw such a measure as a way to make the development of a pipeline more attractive.

In the months since HB 393 was signed into law, supplies of natural gas for domestic use have not kept pace with demand, triggering an increase in the price. These new, higher prices have improved the economics for the delivery of Alaska North Slope gas to domestic users via a pipeline through Canada. By amending AS 43.82 to expand the definition of a "qualified project", sponsors of a pipeline to the "lower 48" will be able to negotiate a fiscal regime with the state that promotes, instead of hinders, a pipeline project.

Alaska State Legislature

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Representative Joe Green
District 10

Sectional Description HB 9 – Amending the Alaska Stranded Gas Development Act

Section 1 – Amends AS 43.82.100 by deleting the requirement that a qualified project “is a project for the export of liquefied natural gas.” This amendment has the effect of allowing the commissioner to qualify a pipeline project that delivers a product other than liquefied natural gas.

Section 2 – Immediate effective date.

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House Special Committee on Oil & Gas

MEMORANDUM

DATE: January 31, 2001

TO: Oil & Gas Committee Members

FROM: Rep. Scott Ogan, Chairman 

RE: HB 393

Attached you will find a copy of HB 393 which was signed into law on June 18, 1998. This bill allows the Commissioner to negotiate payments in lieu of taxes to facilitate construction of a LNG line to Valdez. The genesis of this legislation was the Van Meurs Report, which stated that the project was not viable without these concessions. Legislation in our committee (HB 9 & HB 38) propose to sweep all natural gas projects into this category without any findings by consultants or the administration, that these concessions are necessary for the project to be viable. Both bills would include gas to liquids as well as an Alaskan Highway project to the Lower 48.

I feel that a presentation on GTL technology is in order before a decision is made to pass this bill out of committee.

Representative Scott Ogan