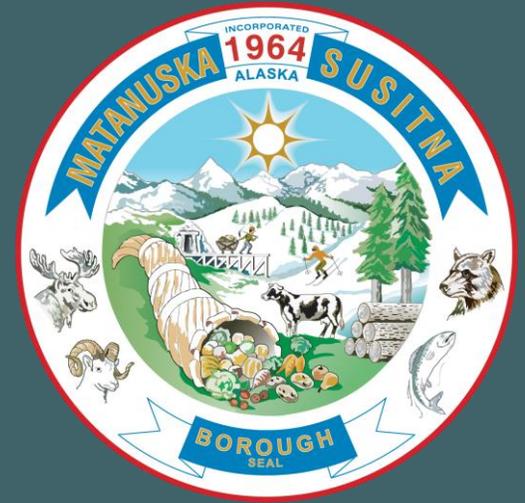


Alaska LNG Tax Framework



February 3, 2026
Matanuska-Susitna Borough

Agenda

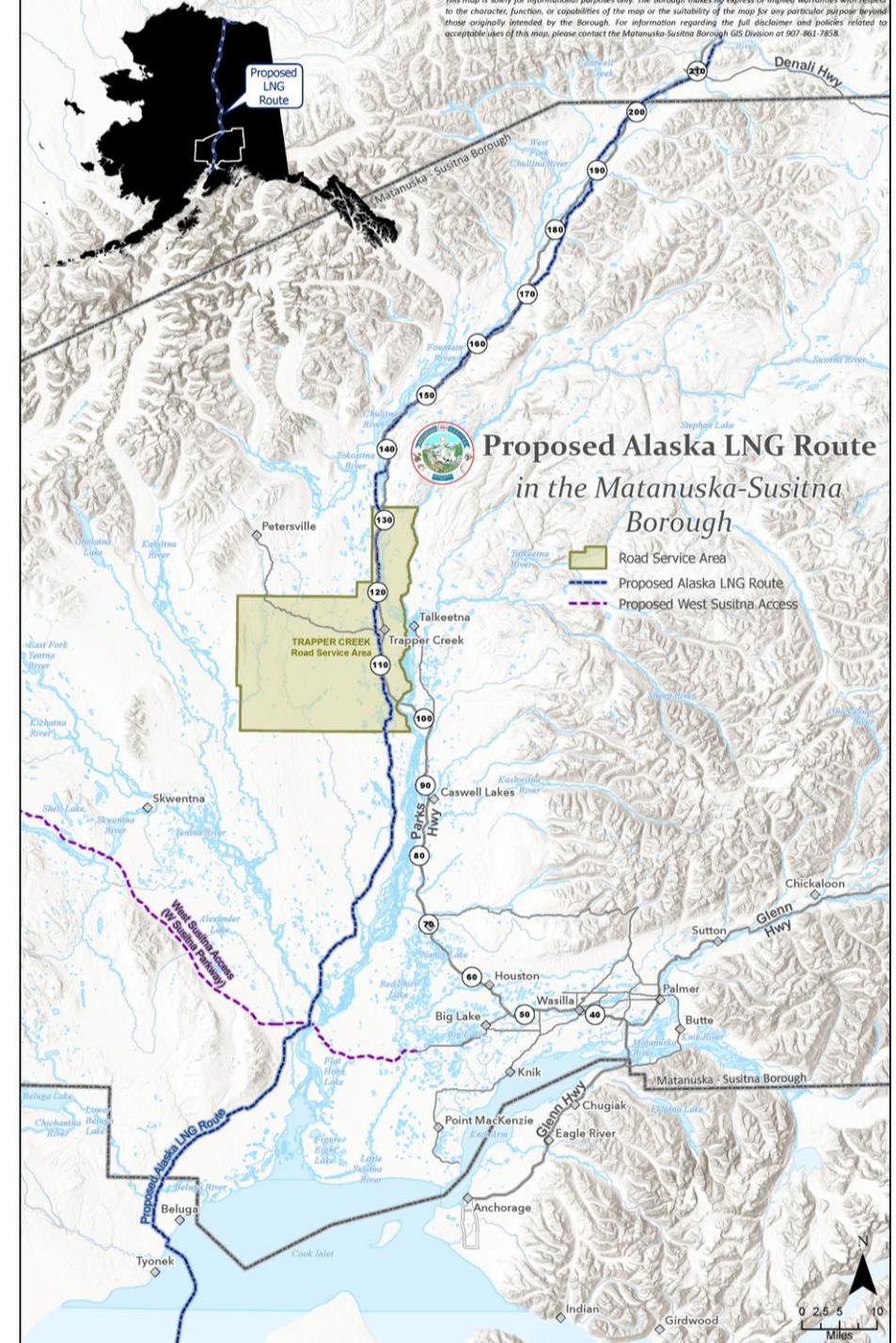
- AK-LNG project overview
- What are we trying to accomplish by discussing oil and gas property taxes?
- Existing tax structure
- Option 1: Reduced property tax
- Option 2: Payment in Lieu of Taxes (PILT)
- What's next?
- References

Overview

- Phase 1: In-State gas
 - Construct 806-mile 42” mainline to deliver gas to Alaskans
 - Glenfarne is completing efforts to reach a final investment decision (FID)
 - Construction 2026 -2028 with first gas in 2029
- Phase 2: Full AK-LNG project and exporting gas
 - Target FID late 2026
 - Construction 2027 – 2032

AK-LNG key characteristics

- \$44 billion in value for the entire project
- 806 miles of pipeline (32.5% of project)
- 180 miles in Mat-Su (22.3% of total mileage)
- Mat-Su
 - ~\$3.2 billion in value
 - Only crosses one service area (Trapper Creek Road Service Area, 32.7 miles); pipeline is outside of all other service areas
 - Majority of pipeline west of Susitna River (no road access)
 - Tax rates that apply for property tax are predominantly areawide and non-areawide (8.856 mills)



What are we trying to accomplish?

- According to Alaska Gasline Development Corporation (AGDC), the project is not economic with the current property tax rate (~\$760 million annually)
- Reviewing options for an alternative structure

Current Tax Structure

- Three phases to consider: during construction, Phase 1 (in-state), and Phase 2 (export)
- Construction: current AS 43.56.020 exempts property taxes on the project during construction
- Phases 1 and 2 yield the same outcomes for Mat-Su
 - 20 mill property tax
 - Mat-Su gets areawide plus non-areawide, along with revenue for Trapper Creek RSA, up to the established mill rate, and the remainder goes to the State of Alaska
 - Mat-Su projected revenue if fully developed = ~\$28 million annually
- An increase in value of ~\$3.2 billion would increase the education required local contribution and adversely affect State formula funding for education

Option 1: 2 Mill Property Tax

- Assessment at 2 mills based on full and true value
- No assessment until the ramp-up period is completed at 1 billion cubic feet (bcf)/day (no Phase 1 revenue)
- Pros
 - Consistent with current property tax methodology
 - Continues not taxing until 1 bcf/day of throughput
- Cons
 - Assessment/valuation process creates the risk of litigation
 - An increase in value affects education funding
- Mat-Su projected revenue if fully developed = ~\$4 million annually

Payment in Lieu of Taxes (PILT) as an alternative

- PILT can provide revenue and other benefits, e.g., not subject to tax cap
- PILT revenues should be predictable for municipalities, the State, and the project sponsor
- AGDC proposal is to have the Department of Revenue allocate between taxing jurisdictions as currently done under AS 43.56
- Throughput and fixed PILT options provided by AGDC

Option 2: Throughput PILT (recommended in RS 26-009)

- PILT based on volume of gas flowing through the pipeline system (shared risk)
- PILT payments to begin once 1 bcf/day of throughput or 10 years after commencement of pipeline operations
- Example: \$0.06 PILT per mcf (one thousand cubic feet) generates ~\$3 million annually in projected revenue for Mat-Su
- Escalates 1% annually
- Pros
 - Outside of the tax cap and minimum local contribution for schools
 - Avoids litigation related to assessments
 - Payments increase with more throughput
- Con: Reduced payments if the project does not reach full throughput, or delayed payment if 1 bcf/day is not reached

What's Next

- Starting point: Assembly Resolution 26-009, supporting a Payment in Lieu of Taxes (PILT) for the Alaska Natural Gas (AK-LNG) project instead of property tax
- Resolution introduced February 3, with public hearing February 17
- Potential State legislation this Legislative session

Considerations

- Impact to Borough valuation without some change to State statute
- Construction impacts

Tax structure	Annual revenue (Mat-Su)
Current	\$28 million
2 mill property tax	\$4 million (Phase 2 only)
Throughput PILT	\$3 million (Phase 2 only)

Questions



References



Investment Overview and Allocation (Example Only)

Project Investment Summary

Estimated Total Investment	\$44,000,000,000
Total Pipeline Investment	\$14,300,000,000
Total Pipeline (Miles)	806.00
Investment per Mile of Pipeline	\$17,741,935
Allocation of Investment for Pipeline	32.5%
Total Investment LNG Facility	\$19,140,000,000
Number of LNG Facilities	1
Investment per LNG Facility	\$19,140,000,000
Allocation of Investment per Terminal	43.5%
Total Investment Gas Treatment Plant	\$10,560,000,000
Number of Gas Treatment Plants	1
Investment per Gas Treatment Plant	\$10,560,000,000
Allocation of Investment per Gas Facility	24.0%

Investment Overview and Allocation

Municipality	Pipeline		LNG Facility		Gas Treatment Plant	
	Miles	Allocation of Investment (%, by Jurisdiction)	Facility Location	Allocation of Investment (%, by Jurisdiction)	Facility Location	Allocation of Investment (%, by Jurisdiction)
Yukon-Koyukuk Census Area (State)	304	37.7%	-	0.0%	-	0.0%
North Slope Borough	182	22.6%	-	0.0%	1	100.0%
Matanuska- Susitna Borough	180	22.3%	-	0.0%	-	0.0%
Denali Borough	87	10.8%	-	0.0%	-	0.0%
Kenai Peninsula Borough	51	6.3%	1	100.0%	-	0.0%
Fairbanks North Star Borough	2	0.2%	-	0.0%	-	0.0%
Total:	806	100%	100.0%	100.0%	100.0%	100.0%