

Background

- At the last MAGPR meeting, the Board requested an update on the dialogue between the AK LNG producers and the Administration with respect to the emerging Property Tax and Impact Fee legislation mechanisms
- This summary is a good faith interpretation of the approach and specific comments offered up by the AK LNG producers, as part of a wider discussion around Fiscal Stability, some of which is subject to commercial confidentiality agreements.
- However, this summary may not accurately reflect AK LNG Producer positions in all respects and has not been approved or sanctioned by the AK LNG Producer companies

Definitions

- To aid discussion, two terms are emerging to help define the two stages of Property Tax or payment in lieu of tax under discussion:
 - Construction period Payment In Lieu of Tax or CPILT: the Impact Fee based mechanism to compensate communities for the impacts experienced during construction of the LNG project in lieu of an assessment based tax
 - Flow Related Property Tax or FRPT: the ongoing Property Tax levy imposed once the LNG project becomes operational with a simplified formula based on throughput flow

Producer Property Tax Principles

- Needs to support a globally competitive LNG project
- Establish CPILTs and FRPTs for LNG project property that apply during the contract period
- Acceptable to all stakeholders
- Straightforward to administer, defined mechanism for distribution/allocation
- Recognizes elements of current law
- Concern with potential for wider application

Producer Feedback on Draft Amendments

Positive Features of Draft Legislation:

- Provides a framework for the CPILT and FRPT mechanisms envisaged by the project
- Includes gas transmission pipelines

Producer areas of concern:

- Scope of Project assets included under 43.56 – Mill Rate
- Proposed wording should be expanded to reference AS 43.56 and AS 29.45 more broadly
- Way in which dual use facilities are treated
- Definitions may not adequately reflect producer objectives
- January 1st re-setting of property tax – nature of process
- The property tax that would be applicable during the construction period, in the absence of a CPILT