14 September 2026

The Future of the State’s 'Tax Cut' Bill for the Alaska LNG Project

Takafumi Yanagisawa
Executive Analyst
Manager, Research Strategy Group, Research Strategy Unit
Manager, Gas Group, Energy Security Unit
The Institute of Energy Economics, Japan

On 13 August 2026, the special session of the Alaska State Legislature adjourned, and the tax bill for the Alaska LNG project[1], proposed by the Alaska state government, was not passed during the session. This effectively ensures that deliberations on the bill will be postponed until at least the ordinary session starting in January 2027[2].

This bill was presented to the Legislature in March 2026 by Governor Mike Dunleavy. The bill aims to promote Phase 1 of the Alaska LNG project (a plan to build a new longitudinal pipeline to transport associated gas from the oil field in northern Alaska to southern Alaska), changing property taxes to a variable amount calculated based on the amount of gas transported rather than a fixed amount based on the pipeline's assessed value. In other words, it aims to attract more investment by reducing the initial burden of the project with high expenditures but low revenue, while increasing tax burdens as gas transportation volume increases. The governor emphasized that this proposed tax reform would contribute to the realization of the Alaska LNG project, bringing stable tax revenue, creating related jobs, and strengthening the state's energy security, although there might be a temporary decline in tax revenue in the initial phase of the project[3].

In May 2026, the White House issued a letter of support for the above tax reform bills[4], and in June, the bill was passed by the Alaska House of Representatives[5].

---

1 For the overview and background of the Alaska LNG project, please refer to the author's previous articles "Now and the Future for Alaska LNG Project " (10 October 2025, https://eneken.ieej.or.jp/data/12771.pdf) and “The progress and the future of Alaska LNG project – About the announcement of FEED completion for the pipeline portion- " (27 January 2026,https://eneken.ieej.or.jp/data/13036.pdf).

2 Incumbent Governor Mike Dunleavy's term will be until December 2026, and since he has already served two terms, he is not eligible to run in the November 2026 Alaska gubernatorial election.

3 https://gov.alaska.gov/governor-dunleavy-introduces-legislation-to-advance-alaska-lng-project-with-alternative-tax-structure/

4 https://gov.alaska.gov/white-house-issues-letter-of-support-for-gov-dunleavys-alaska-lng-tax-reform-bills/

5 https://gov.alaska.gov/governor-dunleavy-applauds-house-passage-of-alaska-lng-bill/

Meanwhile, discussions with the State Senate, which seeks to limit tax cuts from the perspective of securing the state tax revenue, have reached a stalemate. In June 2026, during the deliberation of the bill, at a State Senate Finance Committee hearing, Glenfarne, as the company advancing the Alaska LNG project, explained its latest cost estimate to be between $44.5 and $54.5 billion. Furthermore, Phase 1, which has already completed its Front-End Engineering Design (FEED), could have a 15% higher cost than this estimate, and Phase 2, which has not completed its FEED, could have a 30% upward cost, implying that total estimated cost could jump to $68.3 billion[6]. Glenfarne argued for the necessity of tax incentives to secure investment and financing, but the Senate deliberation on the bill dragged on from the perspectives of possible state tax revenue decline. Just before the end of the session on August 12, Governor Dunleavy proposed a compromise to maintain a certain corporate income tax[7], but it was not passed by the Senate. Since the state Senate has also been supporting the gas pipeline construction as it would help stabilize gas supply within Alaska, the failure of the bill to be passed this time does not mean that the Alaska LNG project has been abandoned. Following the failure of the bill to pass, Glenfarne expressed "disappointment," stating that the outcome would lead to delays in the development of the Alaska LNG project and increased construction costs, while the company also declared that it would continue to try to advance the project, including alternative paths[8].

On the other hand, the future of the tax bill for this project, combined with a more accurate estimate of total cost, is a very important factor in predicting the future of the project. Also, this factor continues to be important for Asian companies and governments, including Japan, which has already expressed its interest in LNG procurement from the Alaska project.

Contact: report@tky.ieej.or.jp

---

6 For more details, please refer to my article "Verification of the latest cost estimate for the Alaska LNG Project - Glenfarne's reveal at the Alaska Senate Finance Committee-" (9 June 2026, https://eneken.ieej.or.jp/data/13304.pdf).

7 https://gov.alaska.gov/governor-dunleavy-introduces-compromise-ak-lng-tax-legislation/

8 https://www.scribd.com/document/1076834153/Glenfarne-Legislative-Statement