

Department of Revenue Presentation to Resource Development Council

November 2, 2023

Adam Crum
DOR Commissioner



Agenda

1. Overview of State Revenues & Forecast (Spring 2023)
2. FY 25 Budget Development
3. Other Economic Development Prospects
4. Alaska's Credit and Debt Profile

Overview of State Revenues & Forecast (Spring 2023)



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

2023 Spring Revenue Forecast - Unrestricted

		History	Forecast	
		FY 2022	FY 2023	FY 2024
ANS Oil Price (Nominal \$/bbl)	Fall 2022 Forecast	\$91.41	\$88.45	\$81.00
	Spring 2023 Forecast	\$91.41	\$85.25	\$73.00
	Change	\$0.00	(\$3.20)	(\$8.00)
Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	3,069.3	3,360.6	3,526.1
	Spring 2023 Forecast	3,069.3	3,360.6	3,526.1
	Change	0.0	0.0	0.0
Unrestricted Revenue, excluding Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	3,869.9	3,865.2	3,410.1
	Spring 2023 Forecast	3,869.9	3,618.9	2,731.2
	Change	0.0	(246.3)	(678.9)
Unrestricted Revenue, including Permanent Fund Transfer (\$ millions)	Fall 2022 Forecast	6,939.2	7,225.8	6,936.2
	Spring 2023 Forecast	6,939.2	6,979.5	6,257.3
	Change	0.0	(246.3)	(678.9)

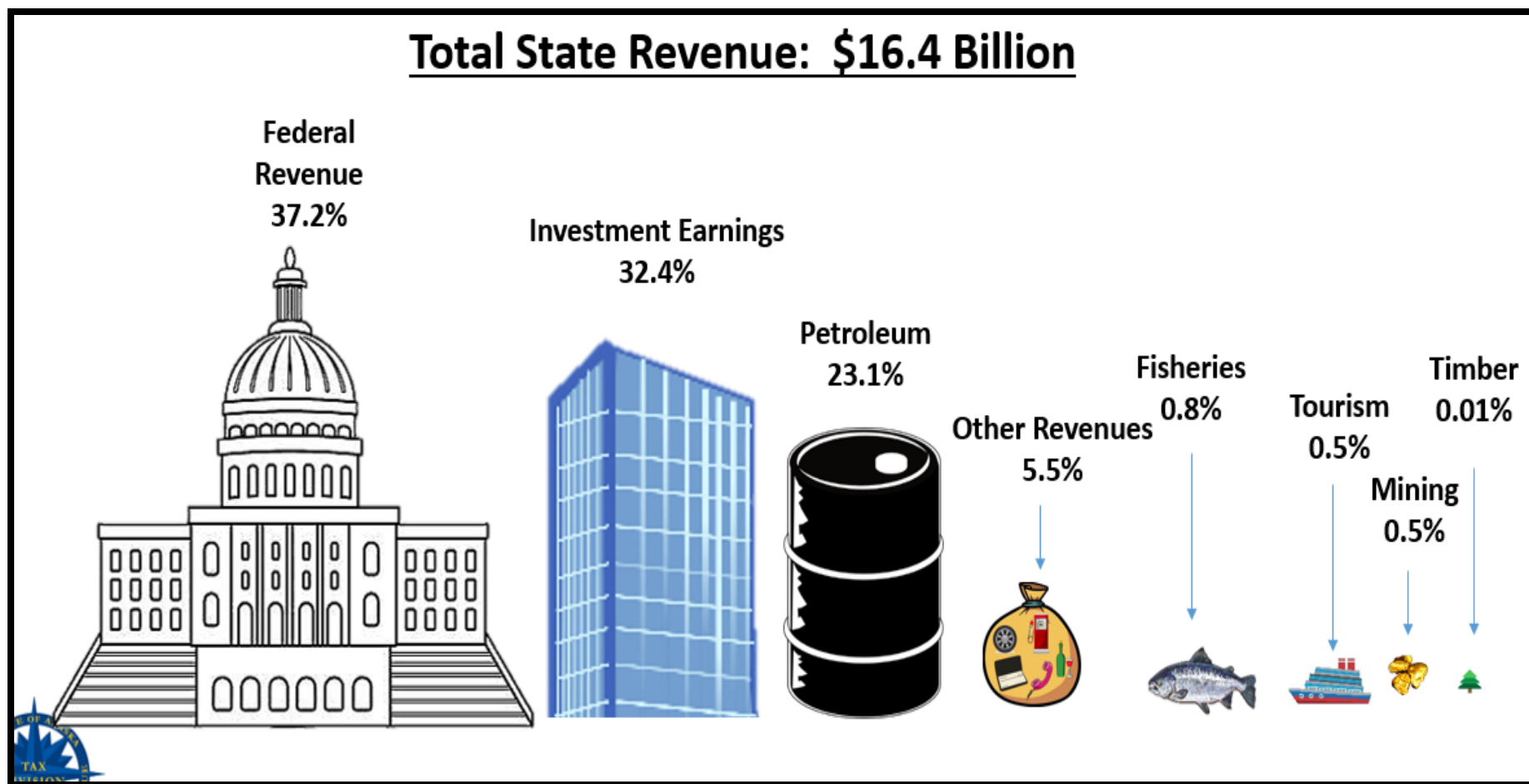
2023 Spring Total Revenue Forecast

\$ Millions	History	Forecast		Percent Change	
Revenue Type	FY 2022	FY 2023	FY2024	FY 2022 to FY 2024	FY 2023 to FY 2024
Unrestricted General Fund					
Investment Revenue - Permanent Fund	3,069.3	3,360.6	3,526.1	14.9%	4.9%
Investment Revenue - Other Investments	(59.1)	75.1	61.4	203.9%	-18.2%
Petroleum Revenue	3,480.9	3,085.0	2,204.3	-36.7%	-28.5%
Non-Petroleum Revenue	448.1	458.8	465.4	3.9%	1.4%
Subtotal	6,939.2	6,979.5	6,257.3	-9.8%	-10.3%
Designated General Fund					
Investment Revenue	(256.9)	123.9	116.4	145.3%	-6.1%
Petroleum Revenue	97.6	92.1	72.8	-25.5%	-21.0%
Non-Petroleum Revenue	476.7	476.7	502.2	5.4%	5.4%
Subtotal	317.4	692.6	691.4	117.8%	-0.2%
Other Restricted Revenue					
Investment Revenue	(6,165.2)	1,767.7	1,799.6	129.2%	1.8%
Petroleum Revenue	479.1	591.3	399.9	-16.5%	-32.4%
Non-Petroleum Revenue	166.3	268.9	275.2	65.5%	2.3%
Subtotal	(5,519.8)	2,628.0	2,474.7	144.8%	-5.8%
Federal Revenue					
Federal Receipts	6,895.1	6,113.7	5,433.7	-21.2%	-11.1%
Petroleum Revenue	16.7	31.0	46.9	180.4%	51.2%
Subtotal	6,911.8	6,144.7	5,480.6	-20.7%	-10.8%
Total State Revenue	8,648.6	16,444.8	14,904.0	72.3%	-9.4%

**FY24 POMV
= 56% UGF**



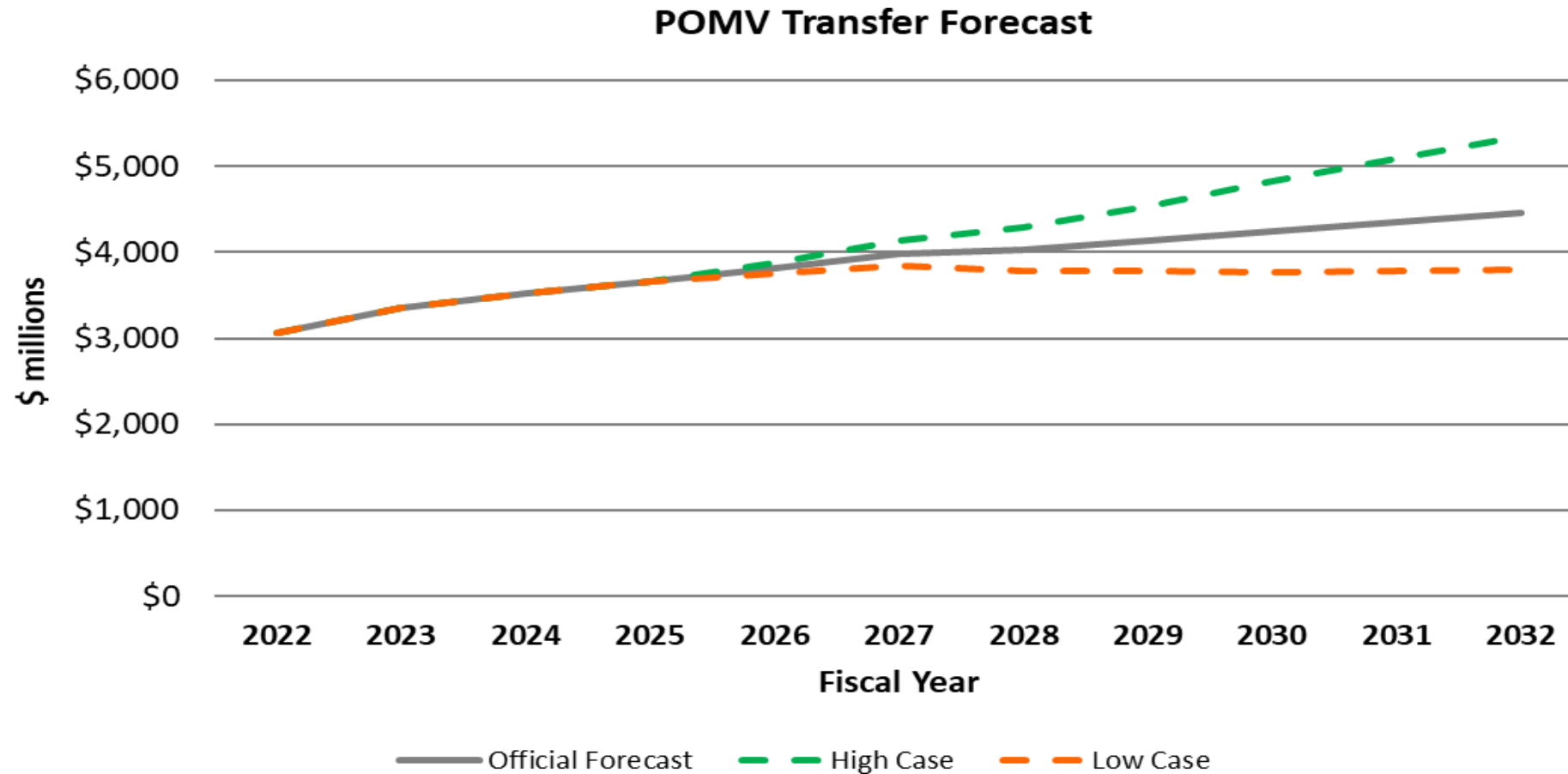
FY2023 Total Revenues



2023 Spring Revenue Forecast

		Millions of Dollars											
		History	Forecast										
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Unrestricted General Fund Revenue													
1	Investment Revenue	3,010.2	3,435.7	3,587.5	3,726.4	3,872.4	4,050.4	4,084.4	4,194.4	4,303.4	4,414.4	4,527.4	4,643.4
2	Petroleum Revenue	3,480.9	3,085.0	2,204.3	2,006.8	1,904.9	1,826.7	1,876.5	1,822.6	1,777.3	1,811.5	1,900.6	2,020.8
3	Non-Petroleum Revenue	448.1	458.8	465.4	496.2	508.1	518.1	538.0	555.0	570.2	579.7	593.5	603.9
4	Total Unrestricted General Fund Revenue	6,939.2	6,979.5	6,257.3	6,229.3	6,285.4	6,395.2	6,498.9	6,572.0	6,650.9	6,805.6	7,021.6	7,268.0
5	Percent from Petroleum	50%	44%	35%	32%	30%	29%	29%	28%	27%	27%	27%	28%
6	Permanent Fund Transfer	3,069.3	3,360.6	3,526.1	3,665.0	3,811.0	3,989.0	4,023.0	4,133.0	4,242.0	4,353.0	4,466.0	4,582.0
7	Total Unrestricted Revenue (not including Permanent Fund Transfer)	3,869.9	3,618.9	2,731.2	2,564.3	2,474.4	2,406.2	2,475.9	2,439.0	2,408.9	2,452.6	2,555.6	2,686.0
8	Percent from Petroleum	90%	85%	81%	78%	77%	76%	76%	75%	74%	74%	74%	75%
Selected Petroleum Data													
9	Price Per Barrel of ANS Crude (dollars)	91.41	85.25	73.00	70.00	69.00	67.00	66.00	65.00	66.00	68.00	70.00	72.00
10	Average Daily ANS Production (thousand barrels per day)	476.5	485.2	496.4	497.9	494.5	510.3	547.0	534.9	512.4	513.5	542.9	577.8

Percent of Market Value (POMV) Transfer Forecast



POMV = Percent of Market Value

FY25 Budget Development

FY25 Budget Development

- In process – FY25 Budget will be released by Governor Dunleavy by December 15

Baseline for working purposes

- **FY 25 POMV = \$3,656** (*little bit less than Spring 2023 forecast of \$3,726.4*)
- **FY 25 Petroleum Revenue = \$2006.8** (*@ \$70 barrel and 497,900 daily ANS production*)
- **FY 25 Non-Petroleum Revenue = \$496.2**

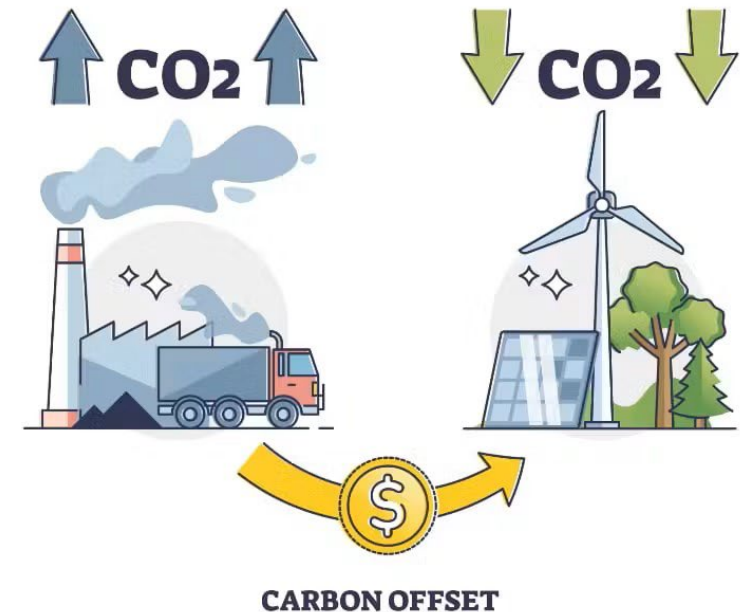
= \$6,159 (baseline for FY25 using Spring 2023 Forecast)

Other Economic Development Prospects

Other Economic Development Prospects-Carbon Credits

- Carbon Credits Offset – SB48 Signed into Law

- Alaska Oil and Gas Conservation Commission (AOGCC) given authority over Class VI wells, which makes Alaska the 3rd state to manage this itself.
- Carbon Offset Program: The bill establishes a carbon offset program within the DNR
- Forest carbon potential: tens of millions of forested state lands
- Kelp potential: 60 million acres of tide and submerged lands



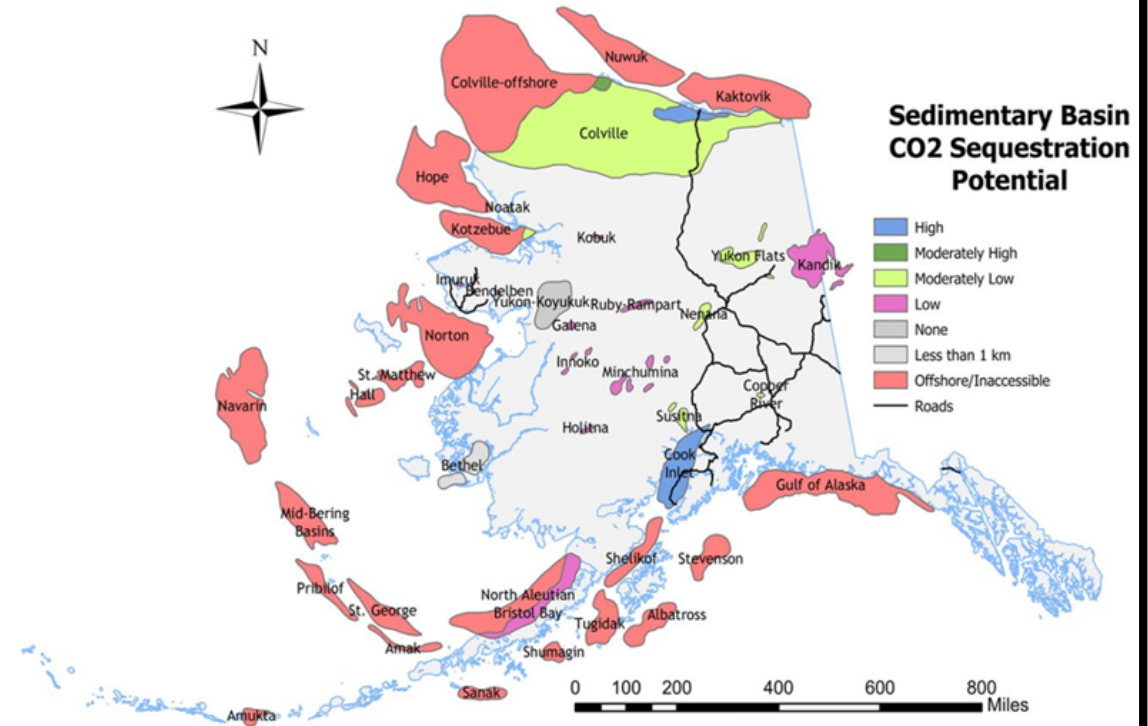
Other Economic Development Prospects-Carbon Capture

- Carbon Capture and Underground Sequestration (CCUS) – SB50 Proposed and Active
- Aims to regulate the storage and utilization of carbon dioxide, through injection into deep rock formations for long-term underground storage.

Geologic Storage Potential: 1600+ Gt

- 2021 Global CO₂ emissions 36.3Gt
- Storage Targets: Depleted Oil & Gas Fields, Saline Aquifers, Unminable Coal Seams

12.4 billions barrels through CO₂ EOR



Source: Shellenbaum, D.P., and Clough, J.G. 2010. Alaska Geologic Carbon Sequestration Potential Estimate: Screening Saline Basins and Refining Coal Estimates: California Energy Commission

Other Economic Development Prospects-Cook Inlet Royalty Reduction

- On October 26, 2023, Governor Dunleavy announced that we are planning to introduce a legislative proposal for the upcoming legislative session to reduce the royalty rate paid by producers to the state in an effort to provide affordable energy to the Railbelt.
- The leg proposal is an initial step in incentivizing and attracting new investments in the Cook Inlet Basin.
- The leg proposal focuses on qualified new development and production and does not impact revenues currently derived from the existing fields.
- DOR is evaluating additional prospects that will further incentivize investments and development in the Cook Inlet.

Alaska's Credit and Debt Profile

Alaska's Credit and Debt Profile

- On July 20, 2023 the Kroll Bond rating agency assigned the State of Alaska a **AA rating with a stable** outlook.
- Highest Bond Rating since 2017
- Ratings Summary

Rating Agency	Grade	Outlook
Kroll Rating Agency	AA	Stable
S&P Global Ratings	AA-	Positive
Moody's Investors Service	Aa3	Stable
Fitch Ratings	A+	Stable

Alaska's Credit and Debt Profile

Debt Profile – As of June 30, 2022

Type of Debt Obligation	Par Remaining	Int. Remaining	Year of Final Maturity (FY)	FY 2023 UGF Payment	Total Debt Service to Maturity
General Obligation*	\$621,875,000	\$229,630,000	2041	\$73,538,000	\$851,505,000
Subject to Appropriation (COPs/Lease Revenue)	\$177,695,000	\$50,287,000	2033	\$22,362,000	\$227,982,000
Total	\$799,570,000	\$279,917,000		\$95,900,000	\$1,079,487,000

Type of Debt Obligation	Par Amount or Current Valuation	Year of Final Payment	FY 2024 UGF Payment Projection
School Debt Reimbursement ("SDRP")**	\$440,200,000	2040	\$53,619,000

THANK YOU

Adam Crum
Commissioner
Department of Revenue



dor.alaska.gov



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Appendix-A

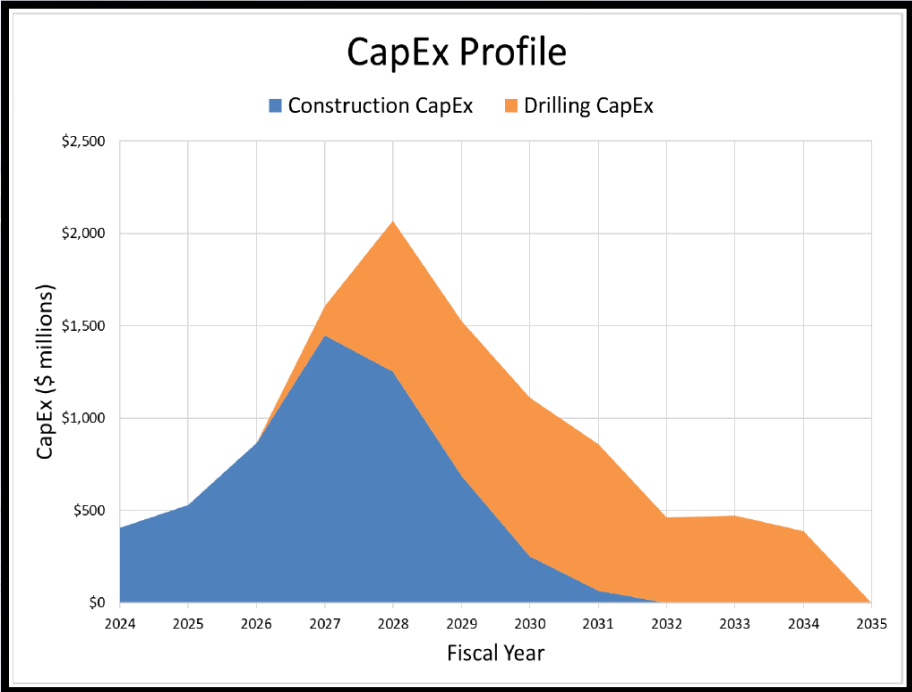
Healthy Resource Development Indicators

Willow Project

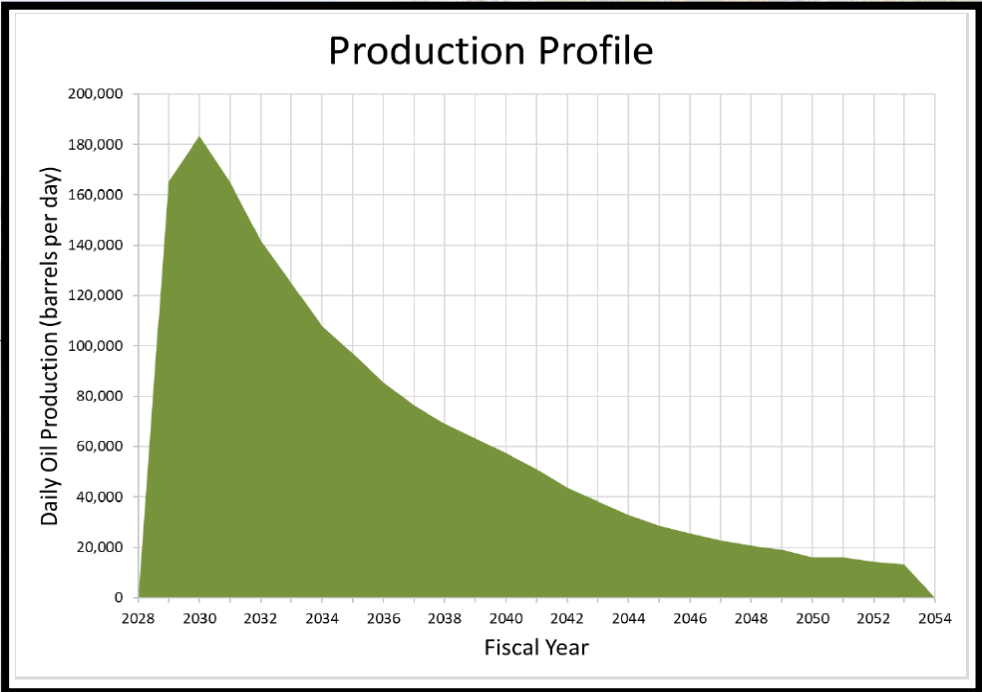
- The Willow project is a proposed oil development wholly owned and operated by ConocoPhillips. Willow is located within the federal National Petroleum Reserve in Alaska (NPR-A), and, if developed, would become the most western oil development on Alaska's North Slope.
- 180,000 barrels/day initial production.

Willow Project

Major Resource Development Projects on the Horizon – Willow Development



Fiscal Impacts



Cumulative To Year	State	Impacted Communities	NSB	Federal	Producer
2033	\$ 924.9	\$ 1,423.6	\$ 417.6	\$ 1,629.3	\$ 723.9
2043	\$ 4,396.6	\$ 2,878.4	\$ 969.9	\$ 4,915.5	\$ 7,563.4
2053	\$ 6,282.8	\$ 3,413.0	\$ 1,263.9	\$ 6,079.3	\$ 9,880.5
Cash Flow Positive	FY 2030	FY 2024	FY 2024	FY 2031	FY 2033



Pikka Project

- Santos and Repsol have just taken a final investment decision for a \$2.6 billion investment in the Pikka development – the largest conventional onshore oil discovery in the U.S. in three decades.
- First oil anticipated in 2026, with phase one production expected at 80,000 barrels of oil per day (bopd), with potential expansion in a second phase with potential to reach 120,000 bopd total.
- Two new North Slope units - Horseshoe and Quokka - approved this year.
- Santos committed to a net-zero project.
- Strong support from State of Alaska, North Slope Borough, and Arctic Slope Regional Corporation.
- 2,600 jobs created during construction, and more than 500 long term jobs created during operation.

Alaska LNG Project Highlights

Alaska LNG Project Highlights

Unique Advantages of AK LNG: UNLIMITED RESOURCES

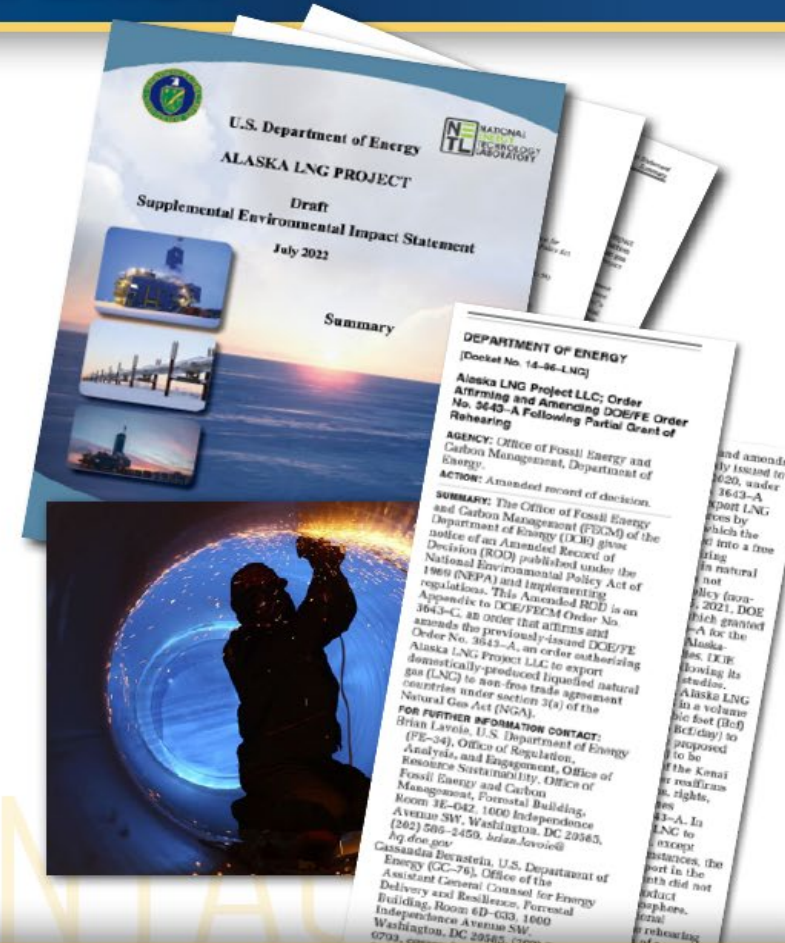
- Alaska's North Slope holds an estimated **236 trillion cubic feet (tcf) of conventional gas**, including 40 tcf of proven reserves—a **50 year+ supply**.
- Prudhoe Bay reinjects **8.5 billion cubic feet of gas per day**.
- **No resource risk**
- Co-located with **extensive existing infrastructure**
- **\$10 billion** in new North Slope oil investments (ConocoPhillips, Santos)



Alaska LNG Project Highlights

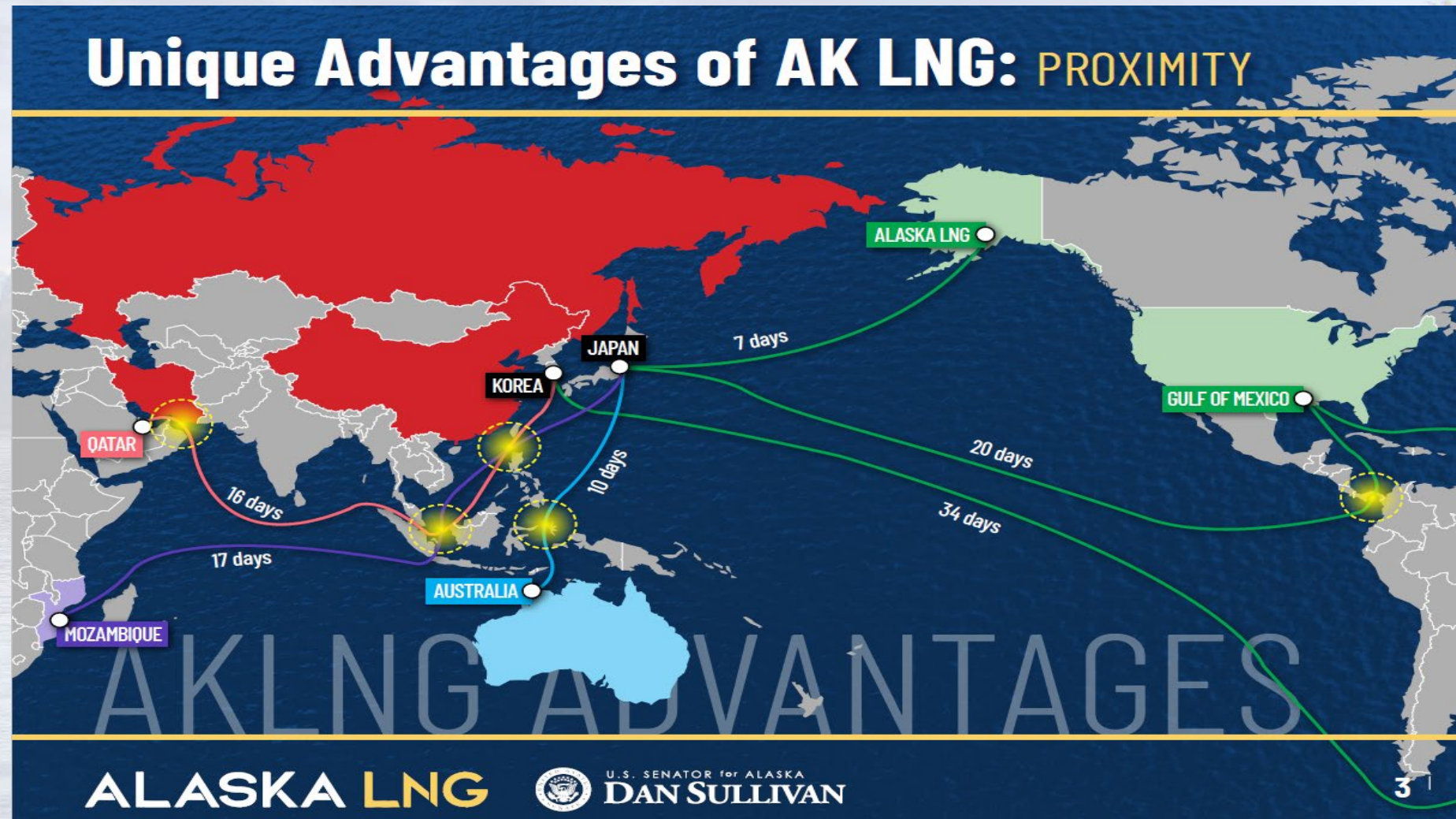
Unique Advantages of AK LNG: GOVERNMENT SUPPORT

- AK LNG is **backed by the full faith and credit of the United States government**—\$30 billion loan guarantee.
- AK LNG has secured **all 35 federal permits necessary to proceed**.
- Biden Department of Energy **SEIS fully supportive**
- **Only U.S. West Coast LNG project**
- Strong, united support of Alaska's elected leaders
- **Record of Decision published May 1, 2023.**



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

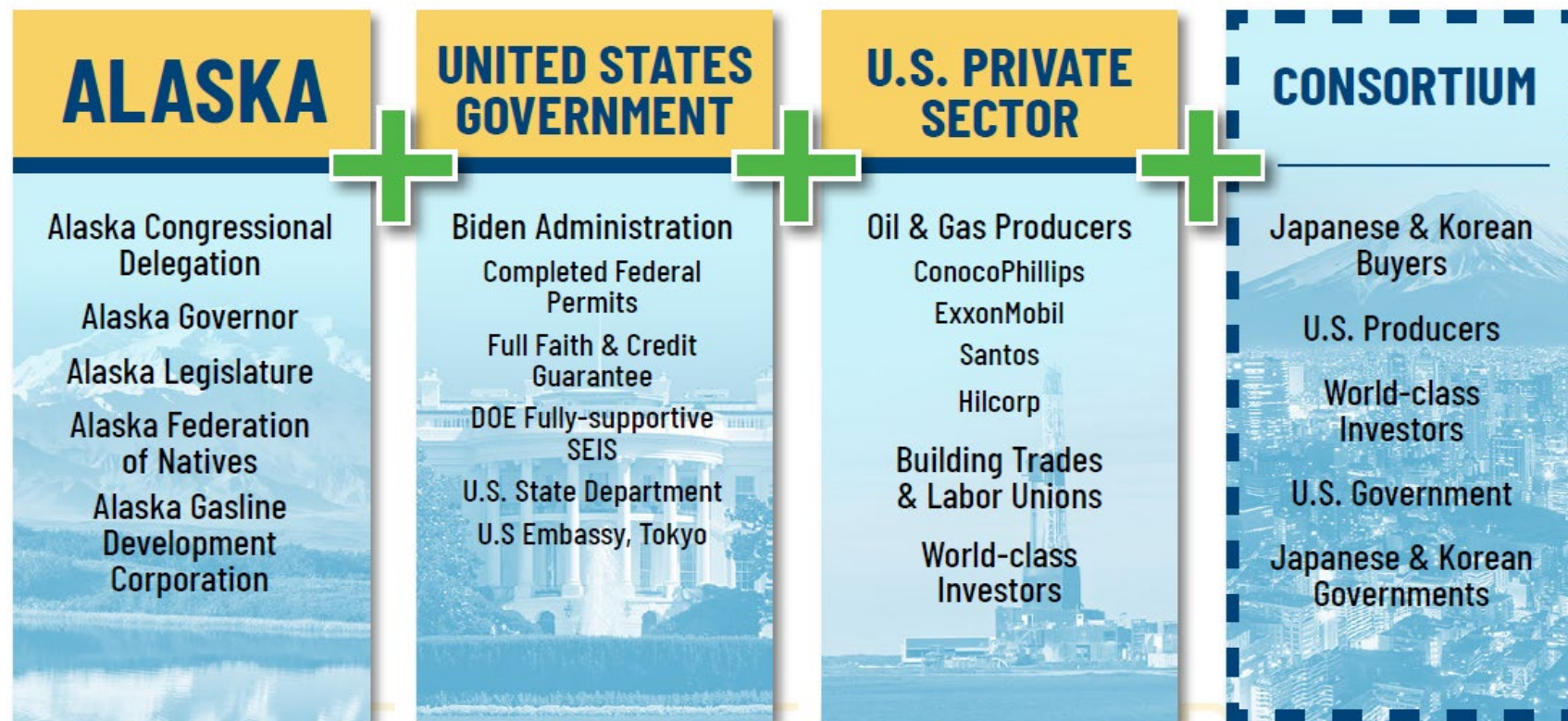
Alaska LNG Project Highlights



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Alaska LNG Project Highlights

Complete Stakeholder Support for AK LNG



Alaska LNG Project Highlights

AK LNG Execution Strategy

ALASKA GASLINE
DEVELOPMENT CORP.

8 ★ STAR

AGDC's Role: Transition to Private Investors

- AGDC is seeking qualified partners and investors to advance Alaska LNG to FID
- AGDC created the project company 8 Star Alaska, LLC (8 Star) to function as the parent company of the project
- AGDC is transitioning Alaska LNG assets under 8 Star and is selling 75% equity ownership of the company to investors in exchange for taking the project to FID
- AGDC will retain a 25% carried interest in 8 Star

8 Star's Role: Manage Alaska LNG through FID

- 8 Star will be managed by private investors with AGDC being a minority owner
- 8 Star will be the project manager and retain oversight of all 3 aspects of the project through to FID
- 8 Star ownership is likely to consist of one "lead party" with other strategic partners owning minority stakes
- At FID, 8 Star will raise the construction capital for each of the three project subcomponents

Now



After Investment

Alaska's Energy Transition Projects

Alaska's Alternative Energy Transition Projects

Energy Transition Outlook

Competitive advantage	Potential areas of distinctiveness	Potential 2040 opportunity	Opportunity context	Estimated Capex outlay to 2040 ² (\$Bln)
Business Environment	Support across government and society (e.g, government backing on development like the Red Dog Mine/Willow, strong public perception of energy as a source of benefit to the state) Historically efficient permitting process for abundant state land			
"Low-carbon" LNG	Ample resources with an established talent pool and planned AKLNG Access to Asia demand	20 mtpa	~5% market share of Pacific Basin	40-70 ³
Oil and Gas	Ample resources with low breakeven costs (~\$30/bbl on North Slope) Established labor force, existing infrastructure , trade relationships with Asia and public support of no-flare oil fields	~600 kbpd	Grow Alaska's oil production by ~1/3 by 2040	30-40 ⁴
CCUS	"CCUS hub" possible given geological potential, planned infrastructure, and potential to leverage existing maritime trade routes (e.g., Japan/South Korea into the Cook Inlet), Class VI well primacy	~50 GT	~50 yrs of Japan + South Korea emissions	10-15 ⁵
Hydrogen	Synergy potential with natural gas production (blue) and geothermal/wind (green) in Cook Inlet and North Slope. Potential ability to leverage existing ammonia and shipping infrastructure with access to Asia	>1 mtpa	~5% market share of green/blue supply announced by 2030	5-10 ⁶
Wind and geothermal	Potential for development in Southern Alaska and on the Aleutian islands due to abundant resource availability and Railbelt connectivity to local demand, or capacity to export (e.g., hydrogen, synfuels)	8-14 GW	6-10x current Alaska electricity consumption	20-40 ⁷
				\$105-\$175 bln

Compared to Alaska GDP of ~\$50 bln