

Opinion: North Slope gas projects of the past call for a cautious approach in the present

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Pipelines at Prudhoe Bay on Alaska's North Slope. (Loren Holmes / ADN archive)

Alaska legislators are being asked to grant a 90% reduction in state and local gas property taxes to advance the latest North Slope natural gas project without knowing whether other revenue concessions and costs may be asked of the state in the future. Some legislators are asking for more information before deciding on the tax reduction. History confirms their cautious approach.

Since the 1950s, at least 15 efforts have been made to transport North Slope gas to Alaskans and outside markets. Early private company attempts failed because of high costs, changing market conditions and a lack of commitment from the major corporate oil and gas producers that controlled the gas supply and had the capacity to move a project forward.

In 1996, a consultant advised Alaska policymakers that oil and gas tax changes locked in by contract might improve project economics enough to persuade producers to build a pipeline. In 1998, the Legislature authorized negotiations based on that premise, reinforcing the idea that state fiscal concessions could unlock Alaska's gas potential.

Ten years later, in a gas fiscal contract negotiated with the producers by the Murkowski administration, the state conceded to so many producer demands that the same consultant who initiated the fiscal contract idea warned that the state had gone too far and there was "absolutely no need to treat Alaska as a banana republic in order to secure the gas line." Legislators who withstood intense political pressure and refused to approve the contract protected Alaska from a deal that could have cost the state more than it returned.

In 2014, the Parnell administration offered the producers concessions similar to the 2006 contract to advance a liquefied natural gas project, Alaska LNG. Under the agreement, the producers owned 75% of the project and the state owned 25%. The producers helped fund early planning efforts, but changing markets led the companies to withdraw in 2016, leaving the state-owned Alaska Gasline Development Corp. to carry the entire project with the backing of state funds in the hundreds of millions.

Also in 2014, the administration negotiated an arrangement with developer TransCanada Alaska, where TransCanada owned most of the state's 25% share of the project. TransCanada agreed to pay development costs associated with the state's share. The state committed to repay the state's share of TransCanada's costs with 7.1% interest if the project failed to advance. In 2015, Alaska paid \$65 million to exit the deal.

For today's version of Alaska LNG, AGDC entered a confidential ownership agreement giving private developer Glenfarne 75% of the entire project and AGDC 25%, with Glenfarne funding development costs, including the state's share, through to the project's go-or-no-go decision. Given the payback provision in the TransCanada agreement, a key question now is whether the AGDC-Glenfarne agreement contains similar risks for the state.

Gas supply is another unresolved issue. Historically, North Slope gas producers showed little interest in supporting a pipeline they did not own. Today, they have confidential gas supply agreements with Glenfarne, leaving unknown whether their supply commitments are contingent on the sort of fiscal concessions they previously sought from the state.

Alaska's gas is a public resource. AGDC is funded with public dollars. Alaskans will be impacted by AGDC's decisions. Prior gas projects had flaws, but their terms were public and subject to legislative review and approval. Under a 2014 law, important details of the current project can remain confidential even as lawmakers are asked to grant major tax relief. That leaves them making a generational decision without knowing the full scope of state commitments and costs.

Legislators are right to insist on getting the information needed to protect Alaskans' interests. As in the past, caution is Alaska's best protection against a bad deal.

Lisa Weissler is a retired state of Alaska oil and gas attorney and former Alaska legislative staffer. Much of her career involved advising Alaska lawmakers on natural resource and oil and gas issues, including natural gas pipeline project proposals. More recently, Weissler authored the book *"Capitol Crude: The Impact of Oil on Alaska Politics,"* which includes a comprehensive history of previous attempts to transport state natural gas from the North Slope.