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AOGA: Senate Bill 21 incentivized billions in Alaska oilfield investments, more oil in the Trans Alaska Pipeline

February 1, 2017− Today, the House Resources committee will hear testimony on progress made under Senate Bill 21 (SB 21), the oil tax reform bill that passed the Alaska State Legislature in 2013.

When Senate Bill 21 was originally being considered, several policy goals were established:

- More oil production
- More industry investment in Alaska oil projects
- More emphasis on oil-seeking activity
- More revenue to the State of Alaska at low oil prices
- More stability and predictability in the tax law across a range of oil prices

(See bottom of page 2 for references for each bullet point)

By these measures, Senate Bill 21 is effective, successful tax policy that is paying off for Alaska.

More oil: In 2016, the volume of oil moving through the Trans Alaska Pipeline increased for the first time in almost 15 years. The new oil was a combination of new fields coming online and increased production from existing fields made economic by tax reform.

More industry investment in Alaska oil projects: A conservative estimated $5 billion in new Alaska investments were announced after Senate Bill 21 became law and was later preserved by Alaska voters.

More emphasis on oil-seeking activity: Under the old tax law, non oil-seeking activity was incentivized. As a result, companies invested in capital projects that, while useful, did not lead to more oil production. SB 21 made the change to tie incentives directly to oil production.

More revenue to the State of Alaska at low oil prices: One goal of SB21 was to stabilize the State of Alaska's revenue stream when oil prices dropped. That criterion is reflected in the bill's higher base rate and strengthened "floor," which generated millions more dollars in State revenues than would have been realized under the old tax system.

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More stability and predictability in the tax law across a range of oil prices: State leaders designed SB 21 to provide the oil and gas industry and the State with a more stable, predictable and durable tax system. The reason was simple: give investors some degree of confidence that tax laws in place would remain so companies could properly evaluate investment options, a behavior that would also benefit the State. House Bill 247, an oil and gas tax bill that passed the legislature in 2016, eliminated several key incentives and diminished this policy goal.

"When you look at the key measures of success of more oil, more investment, more emphasis on oil-seeking activity, and more revenue to the State at low prices, it is clear Senate Bill 21 delivered on its goals," said Kara Moriarty, Alaska Oil and Gas Association president and CEO. "Low oil prices have certainly presented challenges in the past two years, but the core components of Senate Bill 21, which were upheld by Alaska voters, have produced good results for the state."

AOGA is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry in Alaska for the benefit of all Alaskans. More information about the organization can be found at www.aoga.org, on Facebook (AlaskaOilAndGas), or twitter (@AOGA).

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