 BY TRACY BARBOUR

Alaska Oil and Gas Association

Photo courtesy of AOGA

Alaska Oil and Gas Association operates under the direction of Executive Director Marilyn Crockett.

The Alaska Oil and Gas Association (AOGA) strives to foster the long-term viability of the oil and gas industry in Alaska. As part of that mission, the nonprofit trade group represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in the state. AOGA has more than a dozen members that include entities such as Chevron Corp., Shell Exploration and Production Co., ExxonMobil, Alyeska Pipeline Service Co., Tesoro Alaska and Petro Star.

AOGA operates under the direction of Marilyn Crockett, who assumed the role of executive director in 2007. She previously served as AOGA's association administrator, exploration and production affairs representative, manager for environmental affairs and deputy director. Crockett, who was inducted into the Anchorage ATHENA Society, has lived in Alaska for more than 40 years.

Under Crockett's leadership, AOGA engages in a variety of initiatives to promote Alaska's oil and gas industry. For instance, the group provides a forum for communication and cooperation with members, the public and local, State and federal governments. AOGA conducts legislative educational seminars on topics ranging from refining to oil spill responses. It also provides input on local, State and national legislative and administrative actions that affect the state's petroleum industry. Oil and gas, incidentally, is Alaska's largest nongovernmental industry. It generates 21 percent of the private-sector payroll in the state, according to AOGA.

AOGA and HB 110

Recently, AOGA expressed its support for HB 110, Gov. Parnell's proposed amendments to the Alaska's Clear and Equitable Share (ACES) oil production tax. HB 110 is designed to provide tax incentives and credits for the oil and gas industry to increase exploration for and the development of Alaska's oil and gas resources at any price range. On Jan. 18, the bill was referred to the Resources and Finance Committees.

On Feb. 16, Crockett testified before

a House Resource Committee meeting.

"We sincerely believe these provisions, when enacted into law, will increase the competitiveness for investment dollars in Alaska, resulting in increased job opportunities and the development necessary to stem the decline in oil production currently facing Alaska," Crockett said.

In terms of specific portions of the legislation, AOGA supports provisions that would establish bracketing of the progressivity rates and cap progressivity at 25 percent, for a maximum rate of 50 percent for progressivity and the base rate combined.

Currently under ACES, at $30, the taxpayer pays at the 25 percent base rate. But when the taxable production tax value (PTV) exceeds $30, the progressivity feature takes effect. Instead of applying the higher tax rate to just the incremental dollar, the current tax system reaches back and taxes the entire original $30 at the higher rate. Each time the PTV per barrel increases further beyond $30, all prior dollars are taxed at the higher rate instead of just that further increase.

"This approach is what creates such high marginal tax rates and creates an imbalance in the risk-reward investment environment in Alaska," Crockett said in her testimony. "Removing the upside to the degree the progressivity feature does makes it much more difficult to compete for investment dollars with other areas that are not as fiscally challenged as investments here in Alaska. Bracketing sets tax rates for the different levels of PTV so that each level is taxed only once and at a specific rate for that bracket, moderating the impact of ACES' high rate of tax."

The form of bracketing proposed by HB 110 adds much-needed stability and predictability to the tax, according to Crockett. "As companies realize higher prices and greater PTV, the State, likewise, continues to share in those benefits," she said.

AOGA also expressed support for the annual calculation of the progressivity rate. Crockett testified: "We support moving from a monthly calculation of progressivity to an annual calculation to synchronize the revenues with the expenses, avoid the mismatching and more accurately reflect the philosophy behind what a progressivity feature should look like."

Other Important Issues

AOGA has also spoken out on a number of other issues. On Feb. 25, Regulatory Affairs Representative Kate Williams addressed the Alaska Legislature regarding the scoping of the Programmatic Environmental Impact Statement (PEIS) and the EIS for the Chukchi and Beaufort Sea lease sales for the 2012-2017 Outer Continental Shelf (OCS) Leasing Program. She strongly urged the inclusion of analysis of the Beaufort Sea and Chukchi Sea planning areas as part of the 2012-2017 OCS Leasing Program.

"The scoping of the PEIS and EIS and the subsequent environmental analyses will provide critical information to the federal government to further inform and support decisions on areas to include in the 2012-2017 program and will be used extensively in support of holding lease sales in these areas," Williams said. "We believe that lease sales in the Beaufort and Chukchi seas must be included as part of the 2012-2017 OCS Leasing Program. Given the reality that demand for energy is growing and that we will need more oil and natural gas to help meet growing demand for energy in the coming decades, we believe that providing environmental review of these areas now will help ensure sound policy and planning decisions for the future."

AOGA also voiced its support for HJR 11, which opposes the federal government designating the "1002 area" of the Arctic National Wildlife Refuge (ANWR) as wilderness. In a Feb. 3 letter to Rep. Charisse Millett, Deputy Director Kara Moriarty wrote: "Development is permanently restricted to more than 90 percent of ANWR, and for the last 24 years, four out of five Alaskans consistently have supported ANWR to oil and gas exploration."

She added, "At a time when the Trans-Alaska Pipeline is only operating at one-third of its capacity, federal and State lands designated for oil and gas development should remain a viable option. Now is not the time to set aside more wilderness."

> "Now is not the time to set aside more wilderness."
>
> *– Marilyn Crockett*

Lawsuit Against the Federal Government

More recently, in March, AOGA sued the federal government over its designation of 187,157 square miles as polar bear critical habitat, claiming it covers too much territory and could cost tens of millions or more in economic effects.

"This is an area larger that 48 of the 50 states, exceeding the size of the state of California by nearly 25,000 square miles," association attorneys said in the lawsuit, which was described in a March 3 Associated Press article by Dan Joling.

The designation is unprecedented – the largest area set aside in the history of the Endangered Species Act – and was done for an animal that is abundant, with 20,000 to 25,000 animals in 19 subpopulations, according to AOGA.

Designation of critical habitat does not automatically block development, but requires federal officials to consider whether a proposed action would adversely affect the polar bear's habitat and interfere with its recovery.

AOGA said the designation – which includes large areas where petroleum companies hope to drill in the Chukchi and Beaufort seas – was an abuse of discretion.

"The Service failed to balance the conservation benefits and the economic benefits to exclude areas where the benefits of exclusion outweigh the benefits of specifying such areas as part of the critical habitat," AOGA stated in the lawsuit.

The association also said polar bear habitat already is adequately managed, and there is a long history showing interaction between bears and the oil and gas industry has had no more than a minor effect.

The lawsuit is the first filed in opposition to the critical habitat designation, according to the Associated Press article. ❑