

Summary Findings

Economic Impact Study, McDowell Group, October 2011

The Oil and Gas Industry is the Largest Private Sector Economic Driver in Alaska

- Oil and gas provides 1-in-8 private sector jobs in Alaska, generating 13 percent of all private sector employment in Alaska and 18 percent of all private sector resident earnings.
- The oil and gas industry accounted for approximately 10 percent of all employment in Alaska and 13 percent of all resident earnings.

For Each Primary Company Direct Job, Nine Jobs are Generated in the Alaska Economy

- Employment and payroll in Alaska's oil and gas industry in 2010 included direct (primary company) impacts of 4,847 jobs and \$764 million in payroll.
- Including all direct, indirect and induced employment and wages, the oil and gas industry in Alaska accounted for 44,800 jobs and just under \$2.65 billion in annual payroll to Alaska residents in 2010.
- These numbers do not include jobs and wages in Alaska created by the expenditure of oil-related taxes and royalties paid to state and local governments or jobs and income related to the Alaska Permanent Fund.

State and Local Government Revenue

- Oil is the reason Alaska is the only state in the nation that does not have either a state sales tax or a personal income tax.
- In fiscal year (FY) 2010, Alaska received \$6.2 billion in oil and gas revenue from a combination of four sources: oil and gas production taxes, oil and gas property taxes, royalties and corporate income taxes.
- Oil and gas property taxes are distributed to local government entities where the property is located. In FY 2010, these taxes totaled \$334 million and comprised 23 percent of all local tax revenue collected in Alaska.

Alaska Permanent Fund

- Although the jobs created by the additional income Alaskans receive from Permanent Fund dividend checks (PFD) is not part of the core analysis of this study, the fund exists because of Alaska's oil and gas resources and the industry's ability to extract those resources profitably.
- A family of four who has received the dividend every year since 1982 has received \$133,462.
- In all, the Alaska Permanent Fund has paid about \$18 billion in dividends to Alaskans during its nearly 30-year history.

Local Economies

Oil and gas generates more payroll than any other private sector industry in the Municipality of Anchorage, the Fairbanks North Star Borough, the Kenai Peninsula Borough, the North Slope Borough and the City of Valdez. The oil and gas industry is also a top employer of Mat-Su Borough residents.

- **Municipality of Anchorage** – Primary companies provided 2,040 direct jobs to residents and total annual payroll of \$345 million.
- **Kenai Peninsula Borough** – Primary companies accounted for 837 jobs for residents, earning total payroll of \$92 million.
- **Matanuska-Susitna Borough** – While little oil and gas industry activity occurs in the Mat-Su, residents hold 418 primary company jobs and earn \$65 million in payroll.
- **Fairbanks North Star Borough** – Residents held 313 primary company jobs, earning a total annual payroll of \$44 million.
- **Valdez** – Residents held 285 primary company jobs in 2010, accounting for \$38 million in payroll.
- **North Slope Borough** – The industry's primary work occurs on the North Slope and significant tax revenues flow to the area, but employment and spending impacts generally occur elsewhere in the state.

Alaska Oil and Gas Association

The Alaska Oil & Gas Association (AOGA) is a nonprofit trade association that represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

Our mission is to foster the long-term viability of the oil and gas industry in Alaska.

Learn more about the issues facing the largest economic driver in the Alaska economy at www.aoga.org. Sign up for our newsletters, and follow us on Facebook and Twitter for the latest information on the oil and gas industry in Alaska.

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AOGA staff, left to right: Marilyn Crockett, Kate Williams, Kara Moriarty and Tamara Sheffield.

Our member companies: Alyeska Pipeline Service Company; Anadarko Petroleum Corporation; Apache Corporation; BP Exploration (Alaska) Inc.; Chevron; eni petroleum; ExxonMobil Production Company; Flint Hills Resources, Alaska; Marathon Oil Company; Petro Star Inc.; Pioneer Natural Resources Alaska, Inc.; Shell Exploration & Production Company; Statoil; Tesoro Alaska Company; and XTO Energy, Inc.

straight talk

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Alaska Oil and Gas Association

October – November 2011 – Issue 4

The Role of the Oil and Gas Industry in Alaska's Economy

In this issue of Straight Talk, AOGA shares the results of an economic study conducted by the McDowell Group. The report assesses the role of the oil and gas industry in Alaska's economy and in the economies of the Municipality of Anchorage, the Kenai Peninsula Borough, the Matanuska-Susitna Borough, the Fairbanks North Star Borough, the City of Valdez and the North Slope Borough.

This report's principal aim is to answer questions about the industry's size and benefits to the state economy. Secondly, it seeks to provide useful information about trends in the industry as reflected in government statistics that are regularly published and often seen by industry watchers, policymakers and the general public.

Because of the oil and gas industry's obvious importance to the state, it has been the frequent subject of studies by government agencies, academic institutions and private-sector businesses and associations. In fact, this is the third study conducted by AOGA. One study by the University of Alaska Anchorage's Institute of Social and Economic Research (ISER), estimated that nearly one-third of all jobs for state residents are generated by Alaska's petroleum sector. Another shorter, more recent study by the same author, estimated that without the oil industry's current and historical contributions, Alaska's economy would be about half its current size.

In differentiating this study from the other studies AOGA's study: 1) is based on proprietary data collected directly from the oil and gas companies to take a closer look at the industry's role in the Alaska economy; 2) includes a more expansive definition of the oil and gas industry than the one used by government statistical agencies; and 3) does not attempt to quantify the jobs generated by the oil and gas industry's tax and other payments to state and local governments.

Although the details of the various studies differ, there is little dispute that the oil and gas industry's importance to the state is without rival in the private sector.

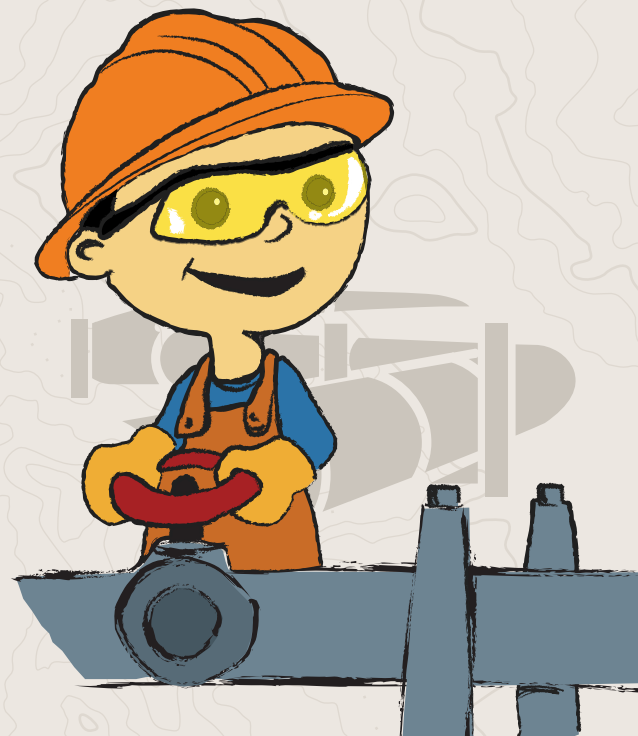
A summary of the results is presented in this publication. To view the full report, please go to www.aoga.org.

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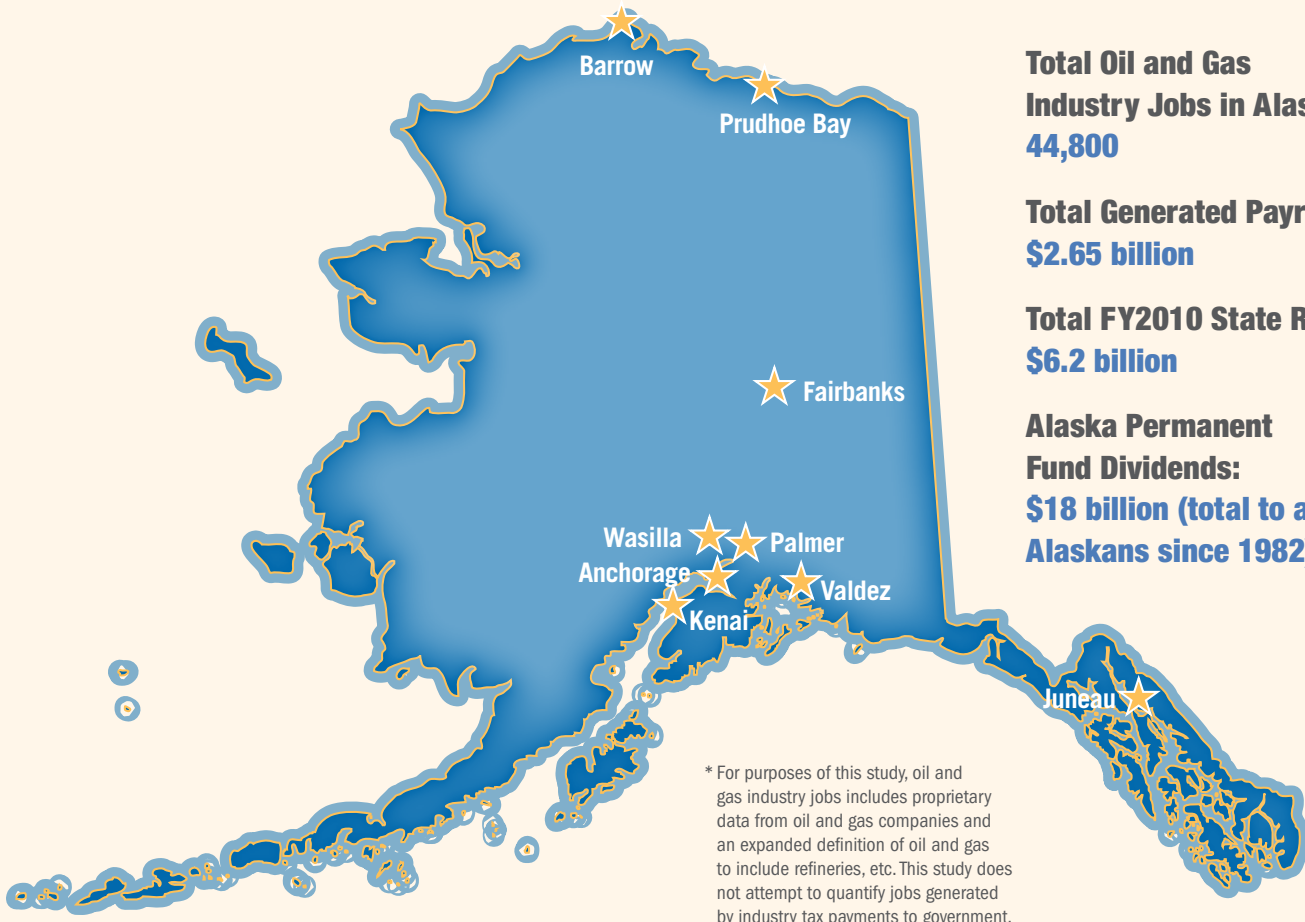
ALASKA OIL & GAS

It's my future, too.



There is little dispute that the oil and gas industry's importance to the state is without rival in the private sector.

2010 Petroleum Industry Economic Facts



Total Oil and Gas Industry Jobs in Alaska*:
44,800

Total Generated Payroll:
\$2.65 billion

Total FY2010 State Revenue:
\$6.2 billion

Alaska Permanent Fund Dividends:
\$18 billion (total to all Alaskans since 1982)

* For purposes of this study, oil and gas industry jobs includes proprietary data from oil and gas companies and an expanded definition of oil and gas to include refineries, etc. This study does not attempt to quantify jobs generated by industry tax payments to government.

To support the analysis of oil and gas industry economic impacts in Alaska, Primary Companies were surveyed to collect data on expenditures in support of Alaska operations, including payroll but excluding royalty payments. The Primary Companies that participated in the study included:

- | | |
|----------------------------------|---|
| Alyeska Pipeline Service Company | Flint Hills Resources, Alaska |
| Anadarko Petroleum Corporation | Marathon Oil Company |
| Apache Corporation | Petro Star Inc. |
| BP Exploration (Alaska) Inc. | Pioneer Natural Resources Alaska, Inc. |
| Chevron | Shell Exploration & Production Company |
| ConocoPhillips Alaska, Inc. | Statoil |
| eni petroleum | Tesoro Alaska Company |
| ExxonMobil Production Company | XTO Energy, Inc. (a subsidiary of ExxonMobil) |

Key Economic Facts by Region

ANCHORAGE

Anchorage

Direct Employment	Employment	Payroll
Primary Companies	2,040	\$345 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	2,143	\$254 million
Other Support Services**	5,800	\$413 million
All Other Indirect and Induced	15,417	\$550 million
Total	25,400	\$1.562 billion

Source: ADOLWD, Primary Companies and McDowell Group estimates

KENAI PENINSULA BOROUGH

Kenai

Direct Employment	Employment	Payroll
Primary Companies	837	\$92 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	1,911	\$147 million
Other Support Services**	400	\$28 million
All Other Indirect and Induced	1,552	\$53 million
Total	4,700	\$320 million

Source: ADOLWD, Primary Companies and McDowell Group estimates

MATANUSKA-SUSITNA BOROUGH

Wasilla Palmer

Direct Employment	Employment	Payroll
Primary Companies	418	\$65 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	2,148	\$156 million
Other Support Services**	100	\$7 million
All Other Indirect and Induced	934	\$40 million
Total	3,600	\$268 million

Source: ADOLWD, Primary Companies and McDowell Group estimates

FAIRBANKS NORTH STAR BOROUGH



Direct Employment	Employment	Payroll
Primary Companies	313	\$44 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	747	\$43 million
Other Support Services**	400	\$30 million
All Other Indirect and Induced	1,540	\$51 million
Total	3,000	\$168 million

Source: ADOLWD, Primary Companies and McDowell Group estimates

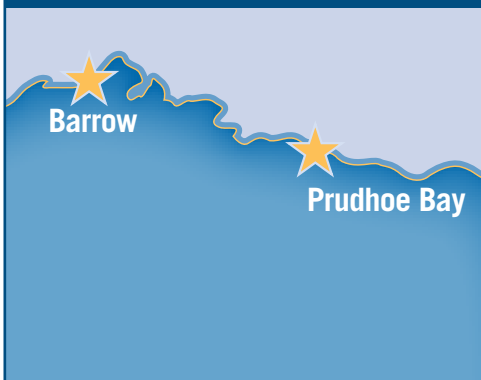
VALDEZ



Direct Employment	Employment	Payroll
Primary Companies	285	\$38 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	89	\$6 million
Other Support Services**	50	\$4 million
All Other Indirect and Induced	276	\$9 million
Total	700	\$57 million

Source: ADOLWD, Primary Companies and McDowell Group estimates

NORTH SLOPE BOROUGH



Direct Employment	Employment	Payroll
Primary Companies	5	\$0.5 million
Indirect and Induced Employment		
Reported Oil and Gas		
Industry Support Services*	15	\$1.3 million
Other Support Services**	150	\$12 million
All Other Indirect and Induced	1,330	\$86 million
Total	1,500	\$99.8 million

Source: ADOLWD, Primary Companies and McDowell Group estimates

*Included ADOLWD Oil and Gas Support Services Sectors 213111 and 213112.

**Other support services include construction, transportation services, engineering and other technical services, and a variety of other business and professional services provided under contract to Primary Companies.