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# State revises revenue forecast upward to account for higher oil prices

*But oil production dips slightly, highlighting need for future investment*

March 19, 2018- Anchorage- Leadership at the Alaska Oil and Gas Association (AOGA) reacted to the State of Alaska's Spring Revenue forecast showing increased State revenues for FY18 and FY19 based on higher oil prices.

"Higher oil prices offer a bit of relief for Alaskans worried about the State's finances," said Kara Moriarty, AOGA president and CEO. "Of course, a serious budget gap remains, but we are calling attention to the 100,000 additional barrels of oil moving down the pipeline than was forecast under the last oil tax law, called ACES. In the FY12 and FY13 production forecasts, analysts predicted oil production would plummet a full 100,000 barrels below today's projected number. It is not difficult to figure out why state experts became optimistic about future oil production since the tax law changed in 2013− policy matters, and a smart, competitive policy caused companies to invest billions in Alaska."

For comparison, below are the differences in State revenues if those 100,000 barrels of oil had not been incentivized into production.

The additional $300 million in revenues resulting from additional oil production could fund:

- Almost the entire undesignated general fund budgets for the Departments of Natural Resources, Fish and Game, Environmental Conservation, Transportation, and Law, which **combined** are $318 million
- University of Alaska, $317 million
- Department of Corrections, $267 million

Despite the improved production forecast, the new Spring Revenue Book also sounds the alarm about the need for future Alaska investments to keep recent, positive trends going. In fact, out of the $120 billion being invested in oil and gas projects across the globe this year, Alaska stands to receive only a tiny fraction of it− less than $2 billion. In order to grab a larger share of that spending, Alaska must improve its reputation in the business community by first paying off earned tax credits in full, and maintaining a stable, predictable tax regime. Just this year, the Alaska State legislature introduced yet another oil tax bill, the eighth proposed change to the tax structure in just 13 years. Such actions have been perceived as hostile by investors considering spending money on Alaska oil and gas projects, especially when the Lower 48 offers many more affordable, less risky projects to pursue.

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"On average, Alaska requires $3.6 billion in investment per year to stabilize or increase oil production," said Moriarty.* "If Alaska leaves the companies who are owed earned tax credits twisting in the wind, and our leaders keep debating new oil tax laws every year, we will lose the oil production, investment, and jobs that come with a healthy capital spend in our state."

The Department of Revenue's Spring 2018 Revenue Forecast can be found here: http://tax.alaska.gov/programs/documentviewer/viewer.aspx?1423r

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).

*Source: U.S. Energy Information Administration, Spears & Associates

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