



# Senate Resources Committee

◦ Kara Moriarty –President/CEO

April 8, 2016

OIL & GAS:  
FUELING  
ALASKA'S  
ECONOMY

**AOGA**

Alaska Oil and Gas Association

# Administration Goal is to Raise Money

*“The motivation to go down this path to look at credits was the budget. The motivation was not to go in and redefine oil and gas taxes in the State of Alaska.”*

DOR Commissioner Hoffbeck – 2/10/16

*“It is a tax increase. I don’t think we are attempting to disguise that.”*

Tax Director Alper – 2/12/16

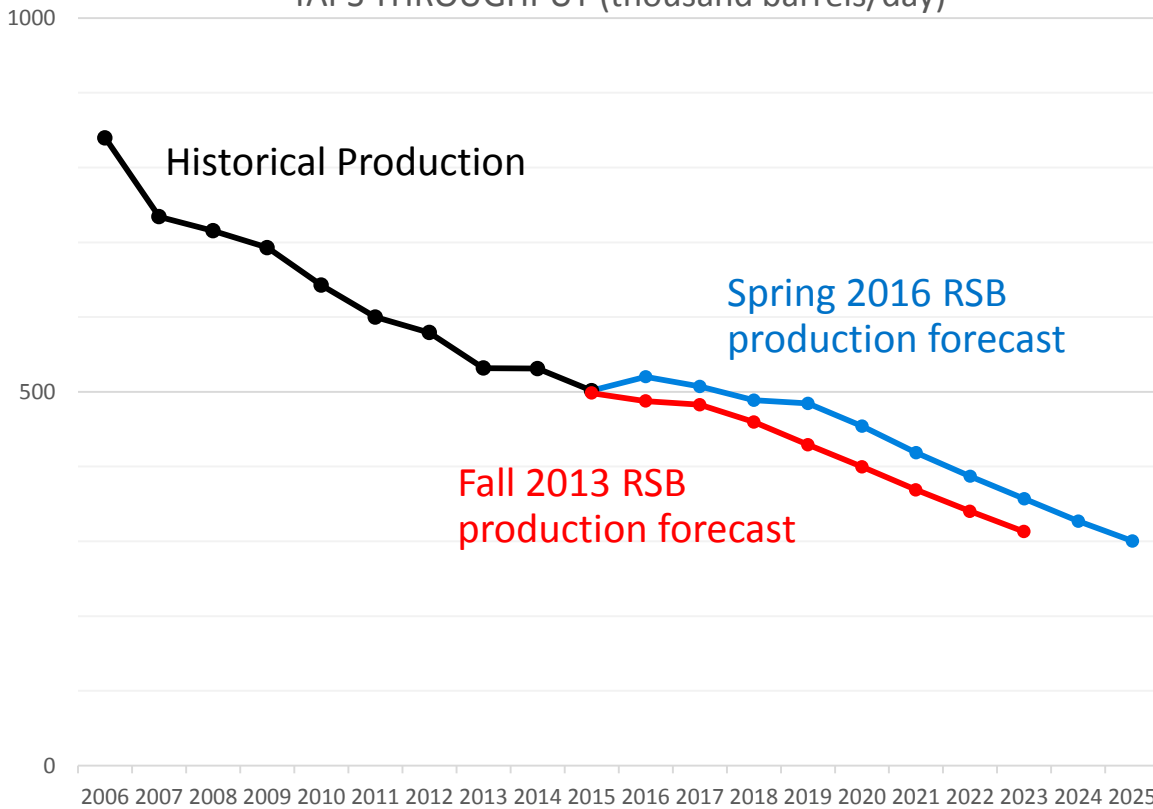
# Policy Questions for SB 130

- *What effect will the policy have on overall oil and gas production in the state?*
- *Will the policy make Alaska more or less competitive on a global scale?*
- *Will the policy provide stability to the industry and the State of Alaska?*
- *Will the policy provide predictability to companies looking to make huge investment decisions?*

# Alaska has MORE production *FIRST time since 2002*

## TAPS Throughput Historical & Forecasted

TAPS THROUGHPUT (thousand barrels/day)



Year	Fall 2013 Forecast	Spring 2016 Forecast
2016	487.6	520.2
2017	482.7	507.1
2018	459.5	488.8
2019	429.1	484.4
2020	399.6	454.1
2021	368.8	418.6
2022	340.1	387.1
2023	312.9	356.8
2024		327.0
2025		300.5

Source: DOR Spring RSB, April 2016

# At current prices, industry has *negative cash flow before tax*

<b>Estimate Average March 2016 ANS Price</b>	<b>\$38.11</b>
Transportation Costs	(\$10.50)
Total Operating Expenditures	(\$19.47)
Total Capital Expenditures	(\$19.97)
<b>Total Average Cost Per Barrel Before Tax</b>	<b>(\$49.94)</b>

Source: DOR Spring 2016 Forecast, April 2016

**More Production? Competitive? Stable? Predictable?**

# Specific Concerns with SB 130

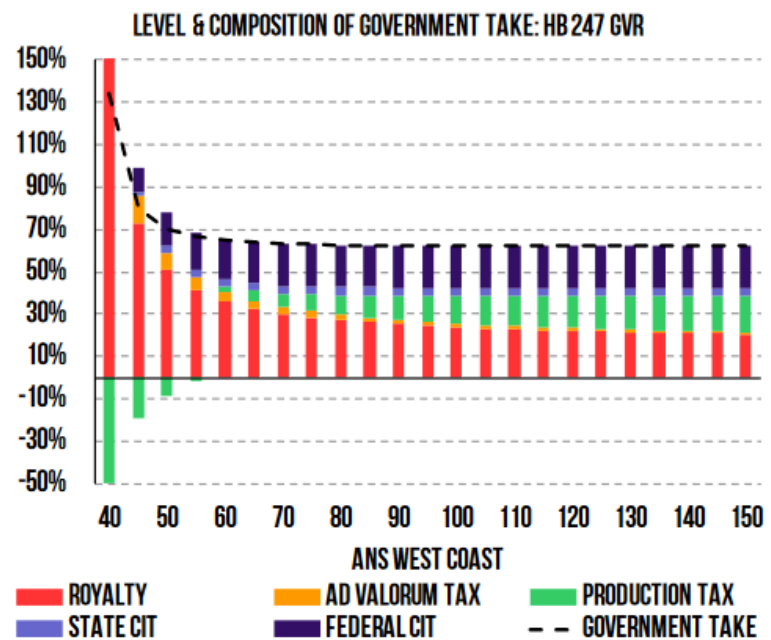
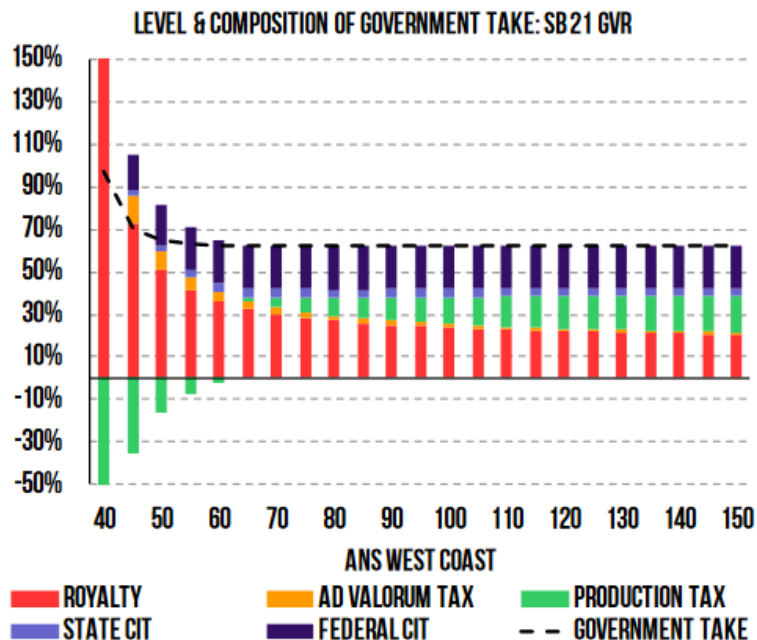
- *Increases minimum tax by at least 25%*
- *Net Operating Loss tax credits lose value*
- *Set limits on credits- discouraging investments by smaller company*
- *Cook Inlet credits eliminated*
- *Interest rates increase significantly*
- *Confidentiality protections jeopardized*
- *Disguised tax increase through the change of the application of Gross Value at the Point of Production*

# CHANGES MAKE REGRESSIVE SYSTEM EVEN MORE SO

State of Alaska making negative production tax in today's prices; but overall gov't take is still high

Cumulative impact of proposed changes would be to shift up government take in lower oil prices

In times of high investment / low prices (as in 2016), **effective government take exceeds 100%**



# **SB 130 is an Equal Opportunity Offender**

**AOGA is not asking for assistance from the state of Alaska in this downturn, but do ask for careful consideration of any policy changes.**

**In this price environment, any change will have a negative impact on industry and will result in Alaskans losing jobs, less production, and less long-term revenues for the state.**