

Written Testimony for House Resources Committee on HB 111

April 17, 2017

Senate Resources Committee
Alaska State Capitol
Juneau, AK 99801

Dear Chairwoman Giessel and Members of the Committee:

NANA companies have provided services to the oil industry for over 30 years, including major producers, ConocoPhillips, BP, ExxonMobil and Alyeska Pipeline Services, as well as independent producers who are expanding opportunities in Alaska's oil and gas sector. We specialize in multiple disciplines, including engineering and design, project management, project controls, procurement construction management, camp services, catering, surveying and environmental sciences. The oil and gas sector is important to NANA businesses and the future of the State of Alaska. It is one avenue for NANA to meet its mission to provide benefits to our more than 14,300 Iñupiat shareholders in the form of dividends and jobs. NANA has concerns about HB 111 and the impact it will have on the long-term economic health of the State.

Increases in Oil and Gas Taxes

HB 111 threatens the stability of the current oil and gas tax structure and will make Alaska less competitive for investment from large producers and independents. When investment decreases, businesses like NANA lose opportunities to obtain and retain work. This threatens the jobs and futures of our shareholders and employees who have built lives for themselves and their families through opportunities created by the development of the oil and gas industry in Alaska.

Though it is important for the State to address its fiscal needs, increasing taxes on the oil and gas sector threatens the longer term fiscal health of the State. Tax reform was adopted in 2013 to increase Alaska's attractiveness for investment and to slow the decline of production. Since 2013, we have seen an increase in investment from major producers and independents. An increase in taxes on this sector increases barriers to investment by making Alaska less competitive and reinforcing that the State does not have a stable tax policy for oil and gas. Maintaining a stable tax environment ensures that new investments are made to keep production up, that Alaska remains competitive, and ensures that the long-term fiscal health of the State is maintained for future generations.

Middle Earth Oil and Gas Tax Credits

One aspect of the bill NANA is pleased with and we encourage the Committee to ensure is continued is that the Middle Earth tax credits are held harmless. As with over all oil and gas investment in Alaska, it is difficult to attract new investment in areas outside of major fields. NANA is interested in exploring for natural gas in the Kotzebue basin for use at the Red Dog Mine and communities located in the area. The Middle Earth Tax credits provide NANA, and others, the opportunity to attract investment for exploration.

Conclusion

NANA recognizes the need to address the State's fiscal situation due to the importance of the basic services the State provides to our shareholders and employees across the State. We employ 5,000 Alaskans, approximately 1,500 shareholders, and, as an Alaska-owned business, we have a long-term investment in the success of the state. We continue to encourage the Legislature to implement a long-term fiscal plan that includes broad-based measures. This can be accomplished without impairing a specific industry, or to the detriment of Alaskan families, especially those in rural areas, who already pay the highest cost of living in the State.

NANA urges you not to raise taxes on Alaska's oil and gas sector. Keep Alaska competitive and provide a stable investment environment for the oil and gas sector, and protect the future of our state.

Sincerely,



Elizabeth Cravalho

Vice President, External & Government Affairs