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State data shows first fiscal year oil production increase in 14 years

July 7, 2016- Anchorage- Leadership at the Alaska Oil and Gas Association (AOGA) reacted to preliminary State of Alaska data showing an astounding three percent increase in oil production during the last fiscal year. The increase would represent the first such production increase since 2002.

“This is an historic day in Alaska,” said Kara Moriarty, AOGA president and CEO. “Senate Bill 21 (SB 21) paved the way for increased investment, which led to increased oil production. Production did not just flatten out, but rose by more than three percent. What really stands out about the production increase is that it happened during a period of low oil prices. This didn’t happen by accident: a lot of investment dollars were spent in Alaska after SB 21 passed but prior to the drop in oil prices, and we are seeing those results now. In our view, this shows that even at low prices, investment can continue when good policies are in place.”

State of Alaska Division of Oil and Gas preliminary data shows total production in FY (fiscal year) 2015 was 168.143 million barrels. Total production in FY 16 is 173.563 million barrels (estimate-extrapolating through June 2016), or an increase for FY 16 of 3.22 percent. (<http://dog.dnr.alaska.gov>). All oil produced off the North Slope generates royalty payments, which fuels the corpus of the Permanent Fund.

Despite this good news, the industry’s ability to sustain the activity required to add oil production is in question. A prolonged period of low oil prices, combined with yet more uncertainty about what the future holds for state fiscal terms, tax credits, and plans of development, is likely to have a negative impact on future oil and gas activity.

“We have already seen one major change in the tax structure this year in House Bill 247, which will negatively impact investment behavior,” said Moriarty, “and oil taxes are once again on the agenda for the upcoming legislative special session. At this rate, the industry has little confidence in the State’s desire to provide stable fiscal terms, or even to honor its commitments to the tax credits that have already been earned. So, we will celebrate this exciting development, but with the bittersweet reality that the outlook is far from rosy.”

The State of Alaska's oil production numbers are found at the "ANS Monthly Production" link: <http://tax.alaska.gov/programs/oil/production.aspx>.

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).

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