Palmer Chamber of Commerce

Kara Moriarty
AOGA President & CEO
Oil & Gas Industry Produces Most Jobs

- Direct quotes from McDowell reports:

  “No other private sector comes close to generating more economic impact in Alaska than Alaska’s oil and gas industry.”

  “The seafood industry directly employs more workers than any other private sector industry. Including multiplier effects, it is the third-largest basic sector job creator in Alaska after the oil and gas and visitor industries.”

- Oil & gas represents nearly a third of all wage and salary jobs in Alaska; meaning oil and gas creates more jobs than seafood, visitor and mining combined.

Source: McDowell Group Economic Studies 2016-2017
**Oil & Gas Produces Most Revenue**

### Projected FY 2020 Oil Revenue

**Unrestricted**
- Royalties: $876.5 Million
- Production Tax: $524.7 Million
- Corporate Income Tax: $210.0 Million
- Property Tax to State: $121.0 Million
- Other: $22.7 Million
- **Total Unrestricted**: $1.754 Billion

**Restricted**
- Royalties to Permanent Fund: $391.8 Million
- Royalties to Public School Fund: $6.5 Million
- CBRF Deposits: $150.0 Million
- NPRA Rents/Etc.: $10.8 Million
- Total Restricted: $558.1 Million

**TOTAL Oil Revenue to State**: $2.314 Billion

**Property Tax to Local Governments**: $439.9 Million

### Examples of Other Projected State Revenue for FY 2020*

**Unrestricted**
- Corporate Income Tax: $135.0 Million
- Insurance Premium Tax: $58.2 Million
- Mining Tax: $42.3 Million
- Tobacco Tax: $40.1 Million
- Fisheries Tax: $22.3 Million
- Alcohol Tax: $20.7 Million
- Large Passenger Vessel Gambling: $10.7 Million
- Marijuana Tax: $5.3 Million
- Other (charitable game, etc.): $4.0 Million

**Restricted**
- Motor Fuel Tax: $35.0 Million
- Alcohol Beverage Tax: $20.1 Million
- Marijuana Tax: $15.9 Million
- Vehicle Rental Tax: $11.2 Million
- Mining Revenue to Local Governments: $34.0 Million

*This list does not include all revenues to the state*

*Property Tax to Local Jurisdictions Assumption from FY18 History, DOR Revenue Sources Book, Fall 2016*
Projected FY 2020 Revenue Comparison

$2,761,500,000

$148,600,000

$140,000,000

Source: DOR Revenue Sources Book & Presentations to House Resources Committee, April 2018
Cook Inlet Activity Highlights

- Hilcorp plans to drill and complete a two string sidetrack out of Beaver Creek
- Seaview Prospect exploration in southern Cook Inlet in 2019
- Jack-Up drilling program at Granite Point Field; up to 3 wells

- Glacier Oil & Gas to begin drilling operations on the Osprey in June (south of Trading Bay)
- Hilcorp planning workover campaign at Trading Bay (Monopod)
- Hilcorp to conduct facility and pipeline inspection and integrity maintenance on all locations
Petro Star Valdez Refinery
- 60,000 barrel/day crude distillation unit
- 12,000 barrel/day distillate hydrotreater unit
- Secondary and associated process units (Clean Fuels Unit)
- Primary products are commercial & military spec jet fuels and ULSD (JP-5 for USCG Kodiak)

Petro Star North Pole Refinery
- 22,000 barrel/day crude distillation unit
- Primary products include commercial and military spec jet fuels, home heating oil, low-sulfur diesel, asphalt oil and turbine fuel

Marathon Nikiski Refinery
- 68,000 barrel/day refinery
- Primary products include gasoline, gasoline blend stocks, jet fuel, diesel fuel, heavy fuel oils, propane and asphalt
- 31 Tesoro and other retail locations across the state
North Slope “Renaissance”

Hundreds of Thousands of New Barrels/Day and more than ~$13 Billion in Capital

Source: ConocoPhilips Alaska Presentation to House Resources – May 2019
Production Forecasts from ANWR

Alaskan crude oil production
million barrels per day

- History
- Projections

- High Oil and Gas Resource and Technology
- High Oil Price
- Reference
- Low Oil Price
- Low Oil and Gas Resource and Technology

Estimated petroleum and natural gas production in selected countries
quadrillion British thermal units

**petroleum**

- United States
- Saudi Arabia
- Russia

**natural gas**

- United States
- Russia
- Saudi Arabia

Source: U.S. Energy Information Administration, based on International Energy Statistics

Note: Petroleum includes crude oil, condensate, and natural gas plant liquids.

Future: World Needs Oil & Gas

Figure 3.5 - Global oil demand by sector in the New Policies Scenario

- 2000: 77 mb/d
- 2017: 95 mb/d
- 2040: 106 mb/d

Figure 3.13 - Oil production with no new investment from 2018 and demand in the New Policies and Sustainable Development scenarios

Figure 10.15 - Shares of fuels in world primary energy demand today and in 2040 by scenario

With no new investment, global oil production would halve by 2025: an average loss of nearly 6 mb/d every year.

Alaska: 6th in U.S. Production

Six Month Average – Daily Production
December 2018 – May 2019

- California: 456,000
- Colorado: 491,000
- New Mexico: 885,000
- Oklahoma: 589,000
- North Dakota: 1.36 million
- Texas: 4.9 million

Production Decline has Stemmed

KEY TAKEAWAYS:

- Despite record high oil prices during ACES - both actual and forecasted - production rapidly declined.
- From FY08-FY13, production decreased by 185,600 barrels per day.
- Conversely, even with a massive drop in oil prices just as it came into effect, SB 21 stemmed the decline and stabilized production.

Source: Department of Revenue Fall 2012, Fall 2019, & Spring 2019 Revenue Sources Books
What about Credits?

The state of Alaska no longer offers “cashable credits”

- Only companies with less than 50,000 barrels per day of production were eligible.
- Program ended with legislation passed in 2016 and 2017.
- State still owes hundreds of millions in credits earned under this previous program.

The Per-Barrel “Credit” is not a cash payment – it is a deduction

- The per-barrel credit was designed in SB 21 to create an element of progressivity.
- The purpose is to lower the effective tax rate when prices are low.
- Without the per-barrel credit, the state would have a flat 35% tax rate.
Experts Agree – Per barrel is not a “credit”

“[per barrel credit] is an adjustment of effective tax rate to offset high royalty at low oil prices”

- Roger Marks, Legislative Consultant, April 15, 2017

“...The credit against the production tax is not really a credit; it has an explicit tax-rate-setting goal.

- Analytica, Legislative Consultant, June 17, 2015
Effective Production Tax Rate (Post-Credits) - Non-GVR oil

Effective Tax Rate Without P/BBL Credit - Flat 35% at all prices

Effective Tax Rate With P/BBL Credit

Source: Department of Revenue, House Resources Hearing Follow-Up, April 2019 (with additions)
Government Take Increases without per barrel

Govt Take With & Without Per Barrel Credit - SB 21 Legacy Fields

- Alaska Govt Take With P/BBL Credit
- Alaska Govt Take Without P/BBL Credit
- Competitive Boundary

Oil Price ($/bbl)

Govt Take

Source: Legislative Consultant, Roger Marks, April 2017
• Ballot Measure Filed on August 16, 2019 – “Fair Share Act”
• Extreme policy shift – right as Alaska coming out of recession
• Dramatically increases taxes on approximately 90% of production
• Entire industry is impacted
• Would result in reduced industry investment resulting in less production, state royalties, property taxes, corporate income taxes and Alaskan jobs
• Not the “easy fix” solution to Alaska’s budget situation