Anchorage Chamber of Commerce

Kara Moriarty
President & CEO
Alaska Oil & Gas Association
December 16, 2019
AOGA Membership

- Alyeska Pipeline Service Company
- BlueCrest Energy
- bp
- ExxonMobil
- Chevron
- ConocoPhillips Alaska
- Hilcorp Alaska
- Glacier
- Marathon
- Petro Star Inc.
- Repsol
- Furie Operating Alaska LLC

- AOGA

PEOPLE • PRIDE • PETROLEUM
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.
Oil & Gas Produces Most Revenue

### Projected FY 2020 Oil Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$1,559.4 Billion</td>
</tr>
<tr>
<td>Royalties</td>
<td>$847.0 Million</td>
</tr>
<tr>
<td>Production Tax</td>
<td>$380.7 Million</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$210.0 Million</td>
</tr>
<tr>
<td>Property Tax to State</td>
<td>$121.6 Million</td>
</tr>
<tr>
<td>Other</td>
<td>$22.7 Million</td>
</tr>
<tr>
<td><strong>Total Unrestricted</strong></td>
<td><strong>$1,559.4 Billion</strong></td>
</tr>
<tr>
<td>Restricted</td>
<td>$597.8 Million</td>
</tr>
<tr>
<td>Royalties to Permanent Fund</td>
<td>$380.3 Million</td>
</tr>
<tr>
<td>Royalties to Public School Fund</td>
<td>$6.2 Million</td>
</tr>
<tr>
<td>CBRF Deposits</td>
<td>$200.0 Million</td>
</tr>
<tr>
<td>NPRA Rents/Etc.</td>
<td>$11.3 Million</td>
</tr>
<tr>
<td><strong>Total Restricted</strong></td>
<td><strong>$597.8 Million</strong></td>
</tr>
<tr>
<td><strong>TOTAL Oil Revenue to State</strong></td>
<td><strong>$2,157 Billion</strong></td>
</tr>
<tr>
<td>FY19 Property Tax to Local Gov.</td>
<td>$446.6 Million</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$135.0 Million</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>$56.7 Million</td>
</tr>
<tr>
<td>Mining Tax</td>
<td>$50.0 Million</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>$40.2 Million</td>
</tr>
<tr>
<td>Fisheries Tax</td>
<td>$26.5 Million</td>
</tr>
<tr>
<td>Alcohol Tax</td>
<td>$20.7 Million</td>
</tr>
<tr>
<td>Large Passenger Vessel Gambling</td>
<td>$10.9 Million</td>
</tr>
<tr>
<td>Marijuana Tax</td>
<td>$5.8 Million</td>
</tr>
<tr>
<td>Other (charitable game, etc.)</td>
<td>$9.2 Million</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>$34.2 Million</td>
</tr>
<tr>
<td>Alcohol Beverage Tax</td>
<td>$20.7 Million</td>
</tr>
<tr>
<td>Marijuana Tax</td>
<td>$17.5 Million</td>
</tr>
<tr>
<td>Vehicle Rental Tax</td>
<td>$11.2 Million</td>
</tr>
<tr>
<td>Mining Revenue to Local Governments</td>
<td>$34.0 Million</td>
</tr>
</tbody>
</table>

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

Source: DOR Revenue Sources Book, Spring 2019

*Property Tax to Local Jurisdictions Assumption from FY18 History, DOR Revenue Sources Book, Fall 2018
Projected FY 2020 Revenue Comparison

- Total Oil Revenue to State/Local: $182,600,000
- Total Mining Revenue to State/Local: $140,000,000
- Total Comm. Fishing to State/Local

Total: $2,603,800,000

Source: DOR Revenue Sources Book & Presentations to House Resources Committee, April 2019
Cook Inlet

BlueCrest Energy

Hilcorp

GLACIER

Marathon

Furie

AKOG

PEOPLE • PRIDE • PETROLEUM
Interior/Valdez

Alyeska pipeline

PETRO STAR INC.

AKOG

PEOPLE • PRIDE • PETROLEUM
Refining in Alaska

**Petro Star Valdez Refinery**
- 60,000 barrel/day crude distillation unit
- 12,000 barrel/day distillate hydrotreater hydrotreater 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
Core Fields are Key for Future

Investing in Core Fields: Prudhoe, Kuparuk River, Colville River (Alpine)

Prudhoe Bay, Kuparuk River and Colville River Units thru 2029 (estimated*) : $11B capital
380 MM Bbls produced peaking at ~150,000 BOPD

*All numbers are gross estimates.
North Slope “Renaissance”

Based upon publicly available sources and ConocoPhillips estimates.

**CORE FIELDS**
- Alpine: Fiord West, Narwhal
- Kuparuk: Nuna, Eastern NEWS
- Prudhoe Bay: I Pad, M Pad, VLBX
- Core Fields Development Drilling

**NEW 2017-2018 COPA Leases**
- 2018 COPA Exploration: Mustang development and pad expansion
- 2020 COPA Exploration: Harpoon
- GMT2 Development
- COPA: Willow Appraisal and Development

**Oil Search & Repsol Pikka exploration & Nanushuk development**

**Hilcorp: Liberty development**

**HUNDREDS OF THOUSANDS OF NEW BARRELS/DAY AND ~$24 BILLION IN CAPITAL**

Based upon publicly available sources and ConocoPhillips estimates.
Production Forecasts from ANWR

Alaskan crude oil production
million barrels per day

2018

history projections

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

United States - Largest Producer in World

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

- **United States**
- **Saudi Arabia**
- **Russia**

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

- Petrochemicals
- Aviation and shipping
- Trucks
- Cars
- Industry
- Power
- Buildings
- Other

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

- **Production**
  - Other
  - EHOB
  - NGLs
  - Tight oil
  - Conventional crude

- **Demand**
  - NPS
  - SDS

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

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

- **2017**: 13,972 Mtoe
- **NPS**: 17,715 Mtoe
- **FIES**: 16,768 Mtoe
- **SDS**: 13,715 Mtoe

- Coal
- Oil
- Gas
- Nuclear
- Renewables

Promoting energy security is an important policy consideration: electrification, together with energy efficiency and other alternative fuels, can help achieve this goal.

**Note**: EHOB = extra-heavy oil and bitumen; NGLs = natural gas liquids; NPS = New Policies Scenario; SDS = Sustainable Development Scenario.
Alaska: 6th in U.S. Production

Six Month Average – Daily Production
April 2019 – September 2019

- **Texas**: 5.1 million
- **North Dakota**: 1.40 million
- **Colorado**: 906,000
- **Oklahoma**: 582,000
- **California**: 444,000
- **Alaska**: 447,000

Is the Current Tax Structure Working?

Through FY19: ~80,000 BOPD more production than projected under ACES

Estimated $1.5B+ additional State revenue vs ACES
The state of Alaska no longer offers “cashable credits”

- Only companies with less than 50,000 barrels per day of production were eligible.
- The units targeted by the ballot measure never qualified for cashable credits.
- 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
Per Barrel Keeps Alaska Competitive

![Effective Production Tax Rate Graph]

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

Source: Legislative Consultant, Roger Marks, April 2017
OneALASKA – Who Are We?

Chantal Walsh
Anchorage

Gary Dixon
Anchorage

Crawford Patkotak
Utqiagvik

John Sturgeon
Anchorage

Genevieve Bell
Fairbanks

Bill Popp
Anchorage

Jason Grenn
Anchorage

Julie Sande
Ketchikan

Nick Begich
Anchorage

Jodi Taylor
Anchorage

Jill Schaefer
Soldotna

OneALASKA.com
What does Initiative do?

• Raises taxes on over 80% of Alaska’s current & production
  – Eliminates the per barrel “credit”
  – Ringfences units
  – Raises gross minimum tax & adds high progressivity
  – Higher tax rate than ACES until $110

• Requires all data – including sale price & costs – to be made available to the public

• Monthly severance tax – vs. Annual Calculation
What does Initiative do?

- At current prices, industry pays about 350% more than currently paying in production tax
- Higher tax than ACES ~ $110/barrel
- Takes more than $1 billion from 3 oil and gas units
OneALASKA

OneALASKA Opposes the ballot initiative because:

• Goes Too Far & Hurts Alaska’s Economy

• Hurts Jobs & Alaskan Families – Just as Alaska is coming out of a recession

• Ballot Measure is Wrong Tool for complicated oil tax policy