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AOGA: Low oil prices need competitive, stable, predictable policies

ANCHORAGE – Dec. 9, 2015- The Alaska Oil and Gas Association’s (AOGA) President & CEO Kara Moriarty released the following statement today in response to Governor Bill Walker’s 2016 budget proposal:

“We appreciate Governor Walker and his team taking seriously the considerable fiscal challenges faced by the State of Alaska in light of low oil prices. The past year has also been a difficult one for Alaska’s energy industry, with multiple companies announcing plans to curtail exploration in the Arctic and on the North Slope.

It is not the oil and gas industry’s place to make recommendations about how the state should restructure its finances. However, it is important to the industry that the state has competitive, stable, and predictable fiscal policies.

At a time of low oil prices, now is not the time for the state to increase taxes or reduce incentives to the oil and gas industry in Alaska. Unfortunately, Governor Walker is proposing to do both. We support the governor’s goal to put more oil into TAPS. However, increasing taxes and removing important incentives will not lead to more production.

The governor’s budget was released as global crude oil prices fell below \$40 a barrel. According to the Spring 2015 Department of Revenue (DOR) Sources Book, the oil industry’s actual transportation, operating and capital costs to produce a barrel of oil for fiscal year 2014 (FY14) totaled \$46.42/barrel, before any taxes or royalties were paid. Industry is obligated to pay these costs regardless of what tax structure the State of Alaska has in place.

With oil prices at their lowest point in years, the prospect of paying even more in taxes will not improve Alaska’s chances for bringing new industry projects online, or adding more oil to the pipeline. In fact, it will do the opposite.

Changing the rules every time the price of oil goes up or down creates a haphazard, unfavorable business environment. Incentives offered by way of oil tax credits have increased investment, jobs, and production in Alaska. The current system also protects the state at these low prices, generating more revenue for Alaska than previous tax regimes. Industry stands ready to work collaboratively with leaders to ensure any policy changes will lead to a healthy industry and Alaska for years to come.”

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