AOGA: Tax credit funding veto is shortsighted

Governor Walker defers credit payments again, creates more uncertainty in Alaska’s oil patch

ANCHORAGE- June 29, 2016- Leadership at the Alaska Oil and Gas Association (AOGA) today restated the organization’s position that vetoing tax credit payments does nothing to solve Alaska’s long-term fiscal challenges. Rather, all that is accomplished with this political maneuver is to further damage Alaska’s reputation and credit worthiness.

“These credits were earned in good faith by companies investing in Alaska oil and gas development projects under the state’s own policy,” said Kara Moriarty, AOGA president and CEO. “This veto is shortsighted because the State is obligated to make good on its commitments. A misguided move like this sends a chill throughout the investment community, as well as an industry already battered at low oil prices.”

Legislators and members of the Walker administration have admitted at various times that all tax credits already earned must be paid, so a veto does not reduce the State’s costs, but rather pushes the liability out into the future. Delaying credit payments only harms small, independent companies exploring for and producing new oil, and does not fill Alaska’s budget gap.

Tax credits have been offered for years under several different oil and gas tax systems as a way to entice new, independent companies to explore and develop in Alaska, and to encourage new investment in existing fields. They have been wildly successful, with new entrants exploring for oil, and new projects coming online. Now that the price of oil has dropped and the State of Alaska finds itself with a revenue shortfall, tax credits have come under additional scrutiny.

“In some ways, tax credits are victims of their own success,” said Moriarty. “We have seen a surge of new entrants in Alaska in recent years, and more projects on the North Slope and in Cook Inlet because of the tax incentives. Those companies have created jobs for Alaskans, and increased oil production across the state.”

“Today’s veto tells investors Alaska is closed for business and will go back on its own policy whenever the price of oil fluctuates. For investors looking to make billion-dollar decisions, this makes an already risky investment that much riskier,” she said.

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) and twitter (@AOGA).

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