Oil tax reform needed to ensure a brighter future for Alaskans

With billions of barrels of known reserves, Alaska can enjoy a healthy future for decades if we can attract the investment we need to deliver those barrels to the pipeline. A fair and equitable tax policy is key to making Alaska an attractive place to invest, which will ensure that we continue to have the revenues we need to pay for critical state services.

Even with oil prices at sustained high levels, Alaska is failing to attract much-needed investment. The reason is simple – Alaska has the highest production taxes in North America.

Work Together. WIN Together.

In our continued effort to reform oil taxes, AOGA is working to inform Alaskans about the essential role of the oil and gas industry to our state’s long-term fiscal future. AOGA firmly believes that by working cooperatively to find solutions to our state’s plummeting oil production, we can find solutions that fill the pipeline and create or maintain jobs for thousands of Alaskans. When the industry and the state work together, we all win together.

This issue remains a high priority statewide with hopes of meaningful tax reform resulting from this legislative session. Unfortunately, HB 110 stalled in the state Senate last year, but Senate Bill 192

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Earlier this year, the National Ocean Policy Draft Implementation Plan was released by the National Ocean Council, with public comments submitted through Feb. 27. The Draft Plan covers the nine national priority objectives, including changing conditions in the Arctic and coastal and marine spatial planning (CMSP), and replaces the previous effort to issue Strategic Action Plans for each objective.

AOGA has been following the issue closely because of the policy’s potential to significantly impact resource and economic development projects in Alaska. We continue to be concerned about the lack of detail included in the Draft Plan, and thus the ability to provide substantive, meaningful input on implementation of the policy.

For example, under the priority objective to “inform decisions and improve understanding,” science activities will be informed by recommendations from “Science for an Ocean Nation: An Update of the Ocean Research Priorities Plan.” As of the public comment deadline, however, the report had yet to be released to the public.

Furthermore, important details specific to implementation were not included in the Draft Plan, and instead will be addressed in the “Handbook for Regional Coastal and Marine Spatial Planning.” To date, the Handbook has not been released, and there is no assurance that public comment will be collected.

Of primary concern is CMSP, particularly the potential for the program to result in exclusionary ocean zoning and additional layers of bureaucracy, thus increasing project delay, costs and uncertainty. There is also concern that the geographic scope of the policy will be expanded beyond the coast to include inland areas.

Importantly, under the Draft Plan, stakeholders will not be represented on the Regional Planning Bodies, which are charged with creation and implementation of regional CMSP plans. However, no process has been identified yet for stakeholder or public engagement with these bodies on relevant issues.

Sen. Lisa Murkowski (R-AK) also supports an inclusive process. “Policies that impact our oceans and how they are managed must include feedback from the stakeholders who are, in turn, impacted by those policies,” said Murkowski. “Public input is a critical component of that process.”

AOGA agrees that more streamlined permitting and regulatory processes are needed, but that this should be accomplished through existing statutory and regulatory regimes. Plan implementation should not divert scarce federal resources from regulatory and permitting programs necessary for approval and oversight of resource and economic development projects in the state.
AOGA submits comments on feds’ Draft Environmental Impact Statement for oil and gas drilling in Beaufort, Chukchi Seas

Recently, AOGA communicated its concerns about the Draft Environmental Impact Statement (DEIS) for the effects of oil and gas activities in the Beaufort and Chukchi Seas to the National Marine Fisheries Service (NMFS).

The DEIS is responsible for analyzing the impacts of incidental take authorizations from the Service and geological and geophysical exploration and ancillary permits from the Bureau of Ocean Energy Management.

AOGA does not support any of the alternatives identified in the DEIS because not one alternative or combination of alternatives is workable for Alaska’s oil and gas industry. Importantly, the DEIS analyzes no more than two drilling programs in each sea. However, there are six operators with leases in the Chukchi Sea and 18 operators with leases in the Beaufort Sea, and at least three operators could be actively exploring in the Chukchi Sea during the period the DEIS is proposed to cover. This could effectively prevent leaseholders from pursuing development of their leases purchased in good faith from the federal government.

Similarly, the DEIS includes mitigation measures, including time and area closures in both seas, which could result in a de facto prohibition against exploratory drilling programs in Alaska’s outer continental shelf. This is due to the logistics and economics of drilling a well and moving such a vast amount of infrastructure in and out of the leased areas during the open water season. The DEIS also analyzes and proposes use of “alternative technologies,” which at best have not been tested commercially and at worst do not even exist.

Inexplicably, the DEIS also analyzes impacts outside NMFS’ authority, including the incidental take of polar bears and Pacific walruses, species under the jurisdiction of the U.S. Fish and Wildlife Service (USFWS), even though there are existing incidental take regulations for polar bears and Pacific walruses in the Beaufort and Chukchi Seas and USFWS specifically opted out of participation in the DEIS.

Finally, an Environmental Impact Statement (EIS), by law, is required only for major federal actions that may “significantly” affect the human environment. However, by law and definition, neither incidental take authorizations nor the exploration-related activities described above may significantly impact the environment. Thus, it is entirely unclear why NMFS prepared an EIS in the first place.

A copy of AOGA’s full comments to NMFS can be found at www.aoga.org. We will update Alaskans once NMFS decides how to proceed, which we expect later this year.

EMPLOYEE SPOTLIGHT: “Alphabet Ed” Wieliczkiewicz

Although he was born in South Boston, Ed Wieliczkiewicz (it’s pronounced “Vee-yell-e-skev-itch,” and yes, it’s Polish; long ago, he earned the nickname “Alphabet Ed”), BP’s North Slope Crisis Management and Emergency Response Coordinator, has had Alaska on his mind since childhood.

“I grew up with John Wayne and ‘North to Alaska,’” Ed says. “I still remember that in the ’60s, if you sent away enough cereal box tops, you got the deed to a piece of land in Alaska about the size of a postage stamp. Somewhere out there, I own a tiny little square.”

“‘I still remember that in the ’60s, if you sent away enough cereal box tops, you got the deed to a piece of land in Alaska about the size of a postage stamp. Somewhere out there, I own a tiny little square.’”

– Ed Wieliczkiewicz

After high school, Ed enrolled in the U.S. Coast Guard Academy, earning a bachelor’s degree in mechanical engineering. He served a tour as a law enforcement officer at the Coast Guard’s Intelligence Coordination Center and a stint as the commanding officer of a radio station in Japan and then took a public affairs post that finally brought him to the Last Frontier. The family arrived in Anchorage in the late 1980s, and Ed soon found himself serving as the public face of the Coast Guard on issues ranging from illegal fishing in the “Donut Hole” to the Exxon Valdez oil spill. He later transferred to Valdez, where he worked in...
AOGA welcomes Sarah Erkmann

Meet Sarah Erkmann, the newest employee at the Alaska Oil and Gas Association (AOGA). Erkmann joined AOGA on Jan. 30, 2012, and will serve as the organization’s external affairs manager.

Raised in Anchorage, Erkmann is a seasoned communications professional with years of experience in the state, most recently as Communications Director for Anchorage Mayor Dan Sullivan. Erkmann also worked for a local public relations agency and at KTUU-TV’s Channel 2 News.

“Sarah brings a wealth of experience to our team...”
– Kara Moriarty, Executive Director

As AOGA’s External Affairs Manager, Erkmann will be responsible for media relations, written communication, strategic direction, and legislative affairs for issues affecting Alaska’s oil and gas industry.

“Sarah brings a wealth of experience to our team,” said AOGA Executive Director Kara Moriarty. “We are confident she will be a valued asset to the organization.”

Erkmann graduated from Service High School and received a Bachelor of Arts degree in history from the University of Oregon. She is also a recipient of the 2012 Alaska Journal of Commerce’s Top 40 Under 40 award. Erkmann and her husband and their small children enjoy camping, fishing, playing with their black Labrador retriever and exploring all that Alaska has to offer.

“I’m excited to be involved with the organization charged with advocating for the industry that affects every Alaskan,” said Erkmann. “We’re all in the oil business, and AOGA is at the epicenter of the critical discussion about our state’s oil and gas future. It’s my privilege to be a part of it.”

Meaningful oil tax reform needed (continued from page 1)

was passed from the Senate Resources Committee on March 2. As of publication, AOGA does not support SB 192 and remains hopeful a meaningful solution will be found during the legislative session.

Production has declined by roughly 147,000 barrels per day since Alaska’s Clear and Equitable Share (ACES) was enacted.* ACES has accelerated the production decline, and Alaskans are right to wonder why the decline was worse than predicted. Low gas prices? Not in this record-high price environment. Permitting delays? Not likely. No oil to produce? Alaska is still home to billions of barrels of recoverable oil. The answer is clear: Under ACES, it is simply not economic to increase production, and Alaska is no longer competitive in the global oil production economy.

In an attempt to get Alaska back on the right economic track, Gov. Sean Parnell has established a goal of one million barrels per day. To reach that laudable goal, we must reform oil taxes and increase the amount of oil that flows through the state’s lifeline, better known as the pipeline.

Many Alaskans know there are billions of barrels of oil left on the North Slope, but this oil is technologically challenging and expensive to produce, and research shows a majority of Alaskans favor production tax reform. Our goal is to increase awareness of the issue and gain additional public support. Reduced oil taxes will benefit everyone, not just the producers. In fact, if the production decline isn’t stopped, and government spending levels and production decline both continue, the state’s Office of Management and Budget predicts a state budget deficit by 2015. This is alarming when Alaskans rely heavily on state funding for services like education, public safety, health and human services, and public employee retirement plans.

Join us in supporting Gov. Parnell’s number one economic priority for increasing Alaska’s production by reducing taxes – so as we look down the road of Alaska’s future, we will enjoy a stable economy, along with good jobs and sustained revenue to support essential state services. If we all work together, we can solve this problem.

For weekly updates about the effort in Juneau to reform oil taxes, visit our website (www.aoga.org) and sign up for e-mail alerts.

* Source: Alyeska Pipeline Service Company.
marine safety. Ed left the Coast Guard in the early 1990s and worked for the Bureau of Land Management (BLM) for a few years, and then the family left Alaska.

“I spent the next four and a half years trying to get back,” Ed says.

The Wieliczkiewicz family lived in Texas and then in Indiana as Ed worked in spill response for barging companies. But when he heard about a job opening at BP in Anchorage, he jumped at the chance to go back to Alaska.

“It was one of those things that was too good to be true,” Ed says.

As the Crisis Management and Emergency Response Coordinator, Ed oversees all aspects of BP’s North Slope crisis and incident response efforts, including management of 290 spill responders and 280 incident management team (IMT) members. He coordinates with Alaska Clean Seas to ensure personnel are thoroughly trained and ready to respond to any situation.

“As corny as this sounds, every day I enjoy my job here,” Ed says. “It has both consistency and variety. I help people train for the worst-case situations. We identify all hazards, all risks. We know how to operate safely.”

Ed and his wife are active in their church, where Ed teaches Confirmation classes. Scouting has also been a big part of family life; at any given time for more than a decade, Ed has been volunteering as a Scoutmaster or assistant Scoutmaster. Two of their sons are Eagle Scouts, the youngest son is a Life Scout and their daughter earned a Gold Award, the highest honor achievable in Girl Scouting.

Today, Ed has added to his box-top real estate holdings an acre in Wasilla and a log home where he helps his wife maintain six gardens and a greenhouse (he tries to remember not to roto-till the flowers).

“If I look out my back window I look over towards Bear Mountain, and if I look out my front window, I look towards Baldy,” he says. “We’ve been pretty lucky.”

**“ONCE WE HAD 150 WORKERS, NOW WE’RE DOWN TO 15”**

**Oil taxes affect investment.**

“Just like tax credits attract new explorers, having the highest oil taxes in North America hurts our ability to attract the dollars we need to produce new oil. Our fabrication shop builds production modules. When the industry is not investing, we all feel the impact. Let’s change our taxes to attract investment, produce more oil and build a stronger future for all of us – my family and yours.”

Don Gray, ASRC Energy Services
Husband, Father, Iñupiaq, Alaskan.

**Work Together. WIN Together.**

**MEMBER PROFILE:**

**Pioneer Natural Resources**

Q: What year did Pioneer begin working in Alaska?
A: 2002

Q: Where does Pioneer operate in Alaska?
A: The North Slope

Q: Where else does Pioneer do business?
A: The Lower 48 (Texas, Colorado, Kansas) and South Africa

Q: What is the nature of Pioneer’s business?
A: Pioneer Natural Resources is a large independent exploration and production company focused on delivering competitive and sustainable results. Pioneer responsibly produces oil and gas resources to help meet the world’s energy demands as it provides opportunities for growth and enrichment to employees, business partners and the communities in which the company operates.

Q: How many employees does Pioneer have in Alaska?
A: 70 +

Q: What types of expansion plans does Pioneer have?
A: Pioneer is participating in two exploration wells during the 2012 season: Nuna-1 and Sikumi.
The Alaska Oil & Gas Association (AOGA) is a nonprofit trade association that represents the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

**Our mission is to foster the long-term viability of the oil and gas industry in Alaska.**

Learn more about the issues facing the largest economic driver in the Alaska economy at [www.aoga.org](http://www.aoga.org). Sign up for our newsletters and follow us on Facebook and Twitter for the latest information on the oil and gas industry in Alaska.

*Contact information: 907-272-1481 or info@aoga.org*

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**Our member companies:** Alyeska Pipeline Service Company; Apache Corporation; BP Exploration (Alaska) Inc.; Chevron; eni petroleum; ExxonMobil Production Company; Flint Hills Resources, Alaska; Hilcorp Alaska, LLC; Marathon Oil Company; Petro Star Inc.; Pioneer Natural Resources Alaska, Inc.; Repsol; Shell Exploration & Production Company; Statoil; Tesoro Alaska Company; and XTO Energy, Inc.