

Palmer Chamber of Commerce

Kara Moriarty
AOGA President & CEO



Oil & Gas Industry Produces Most Jobs



Total Jobs & Income Created by Basic Sector Industries in Alaska

Oil & Gas



103,900 jobs
\$6.0 Billion

Seafood



36,800 jobs
\$2.0 Billion

Visitor



39,700 jobs
\$1.4 Billion

Mining



8,600 jobs
\$675 Million

Basic sectors bring new income into the economy. The industries above drive Alaska's economy, collectively accounting for approximately 40% of total employment in Alaska.

Note: Figures shown above include multiplier effects.

Source: McDowell Group economic impact studies (2016-2017).

- 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

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	\$ 559.1 Million

TOTAL Oil Revenue to State \$ 2.314 Billion

Property Tax to Local Governments \$ 439.9 Million

Examples of Fees Paid by Industry in Addition to Taxes and Royalties

AOGCC Regulatory Cost Charge	\$ 7.6 Million
Spill Response Fund	\$ 7.0 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	\$ 35.8 Million
Alcohol Beverage Tax	\$ 20.1 Million
Marijuana Tax	\$ 15.9 Million
Vehicle Rental Tax	\$ 11.2 Million

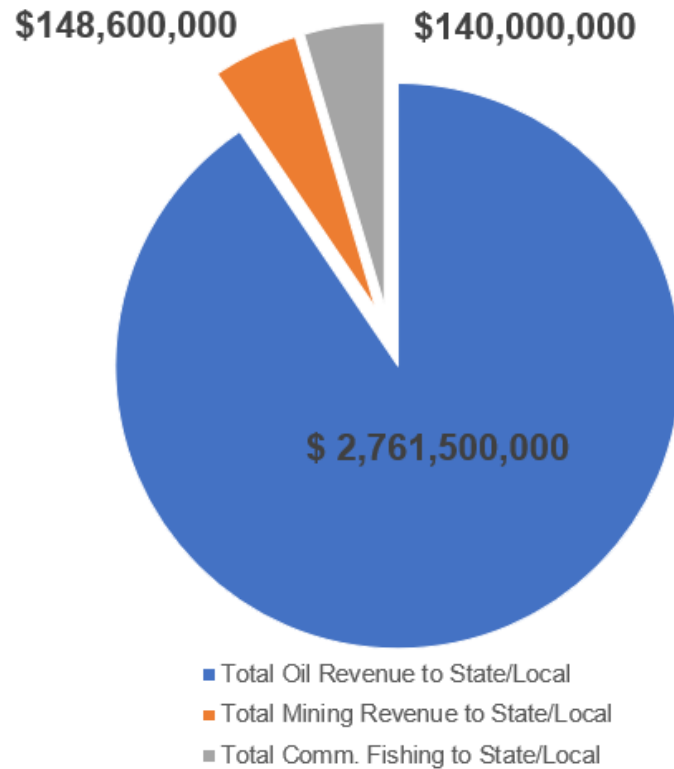
Mining Revenue to Local Governments \$ 34.0 Million

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

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



Source: DOR Revenue Sources Book & Presentations to House Resources Committee, April 2018

Cook Inlet



FURIE
Operating Alaska LLC



GLACIER

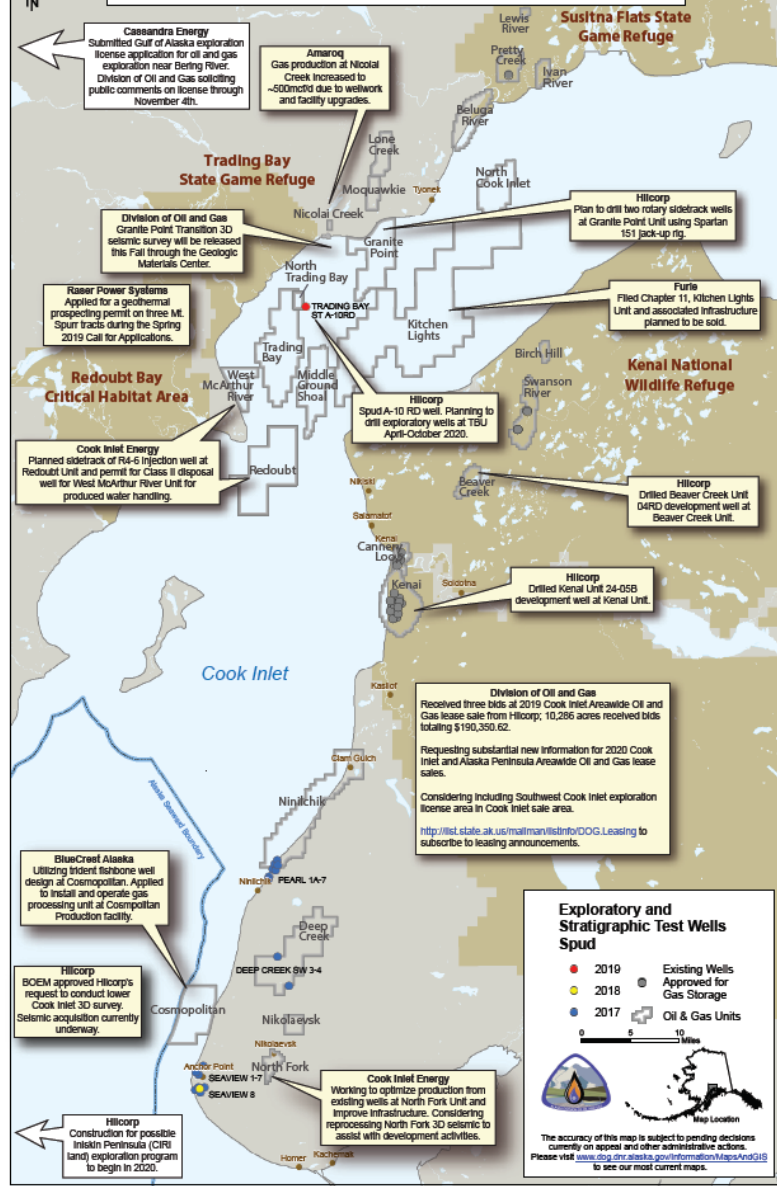


Hilcorp

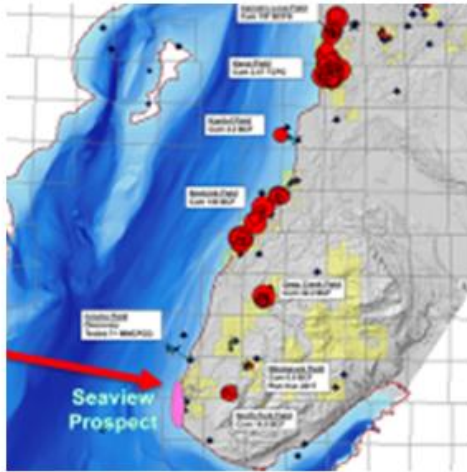


Cook Inlet Oil and Gas Activity

State of Alaska, Department of Natural Resources, Division of Oil and Gas, as of September 2019



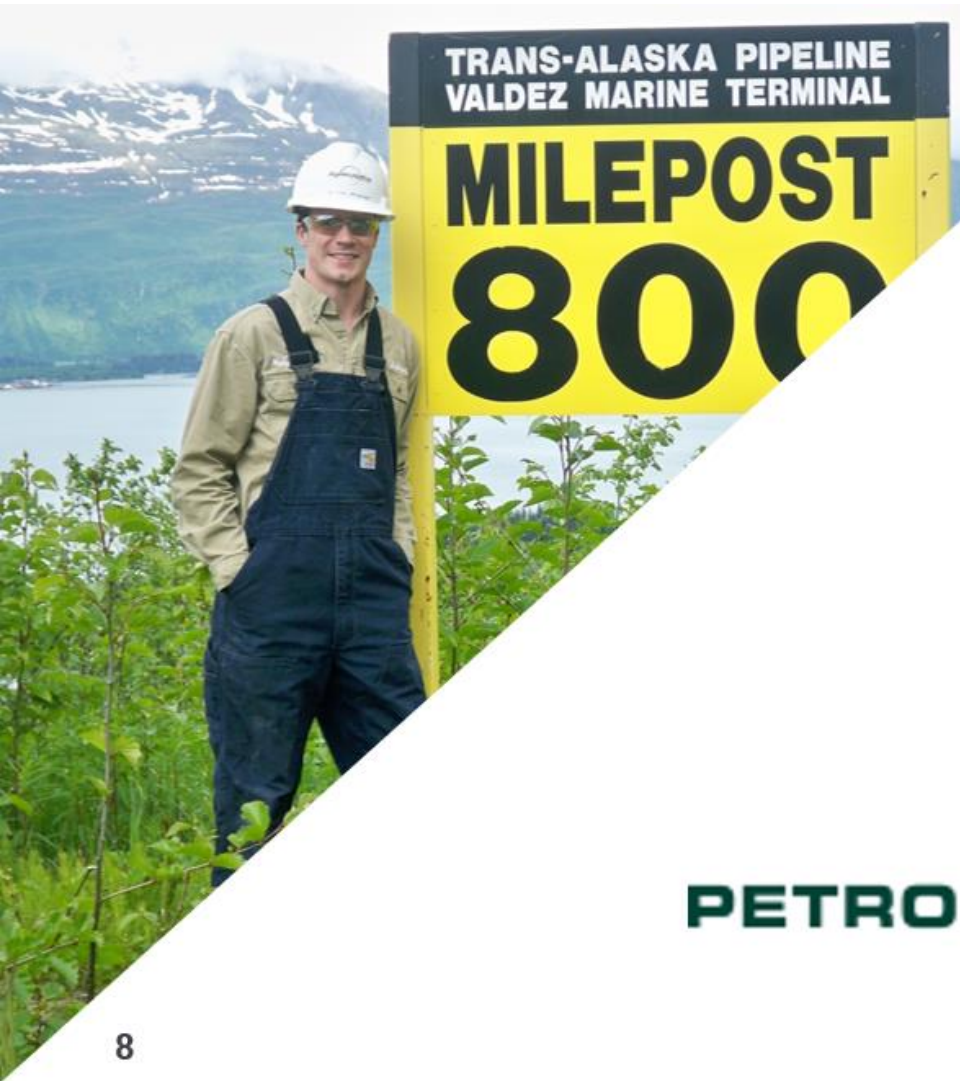
Cook Inlet Activity Highlights



- 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





Interior/Valdez



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

North Slope



ExxonMobil

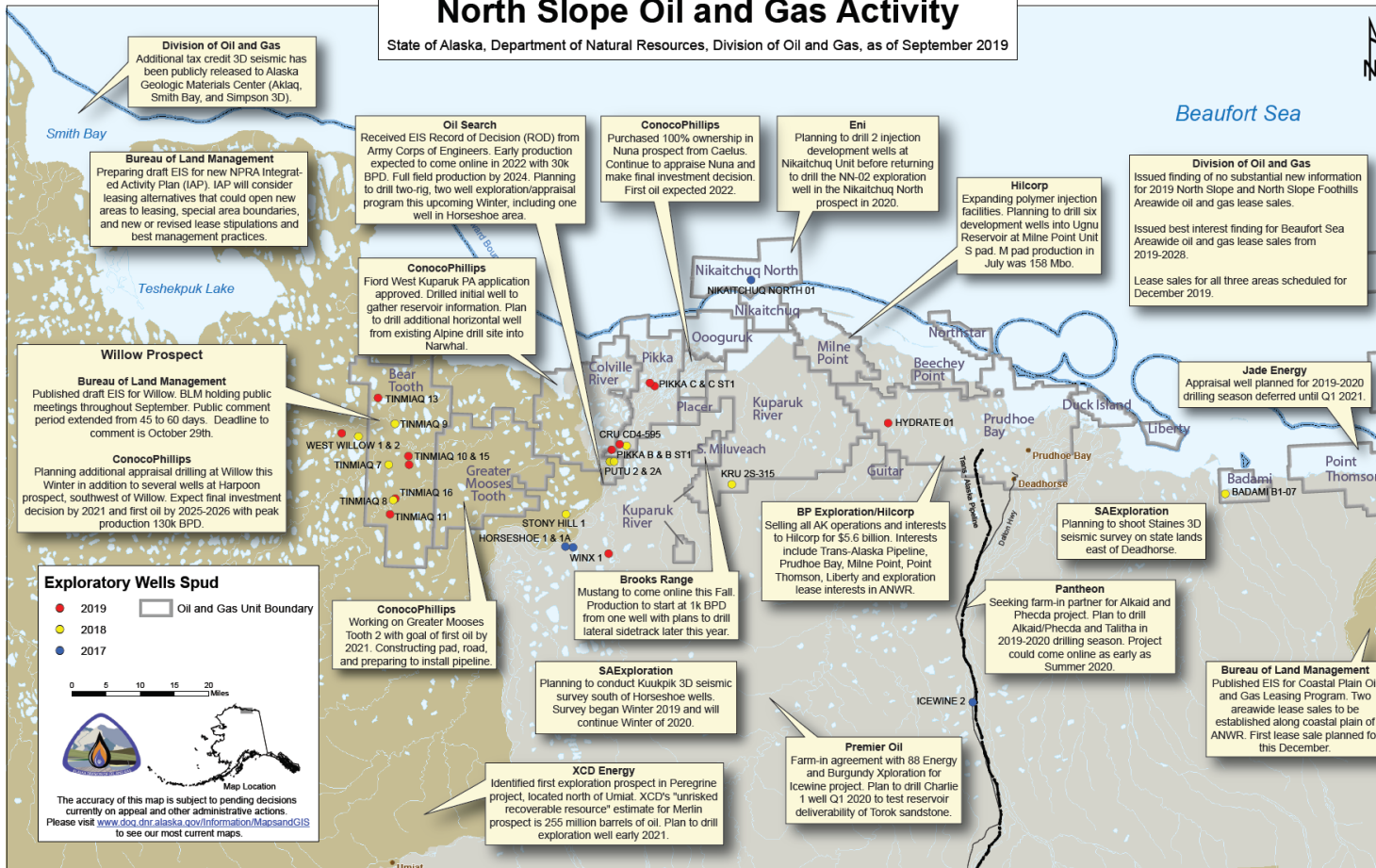


ConocoPhillips
Alaska

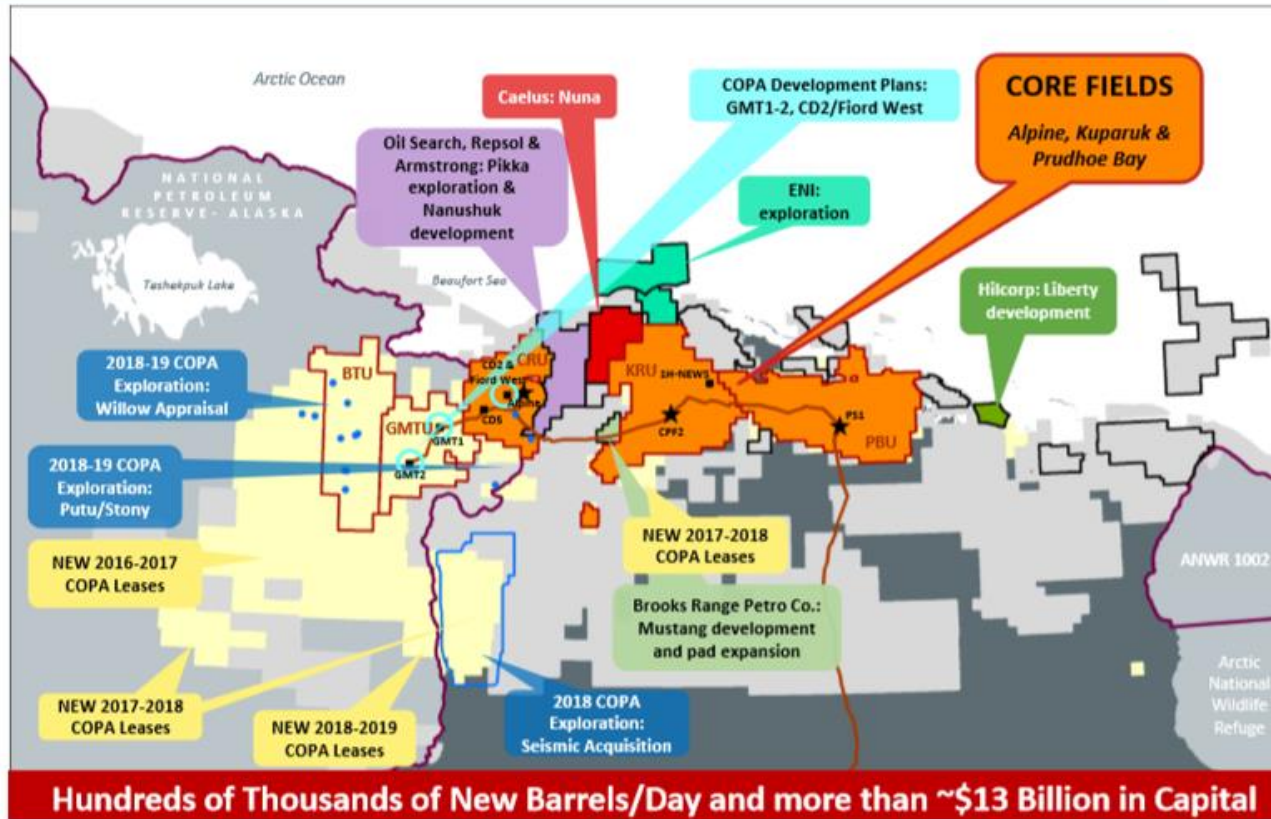


North Slope Oil and Gas Activity

State of Alaska, Department of Natural Resources, Division of Oil and Gas, as of September 2019



North Slope “Renaissance”



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Source: ConocoPhillips Alaska Presentation to House Resources – May 2019

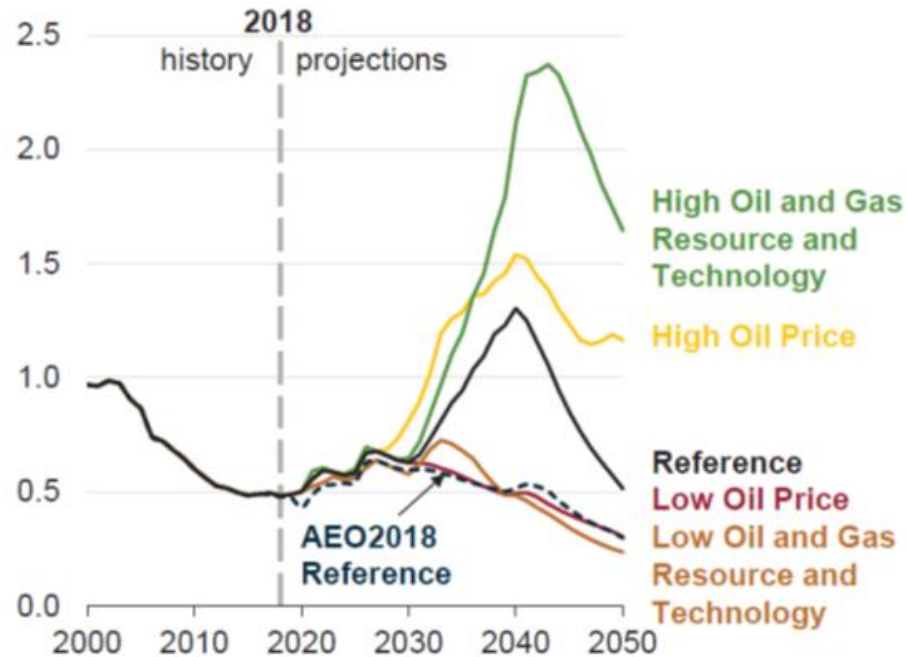


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Production Forecasts from ANWR



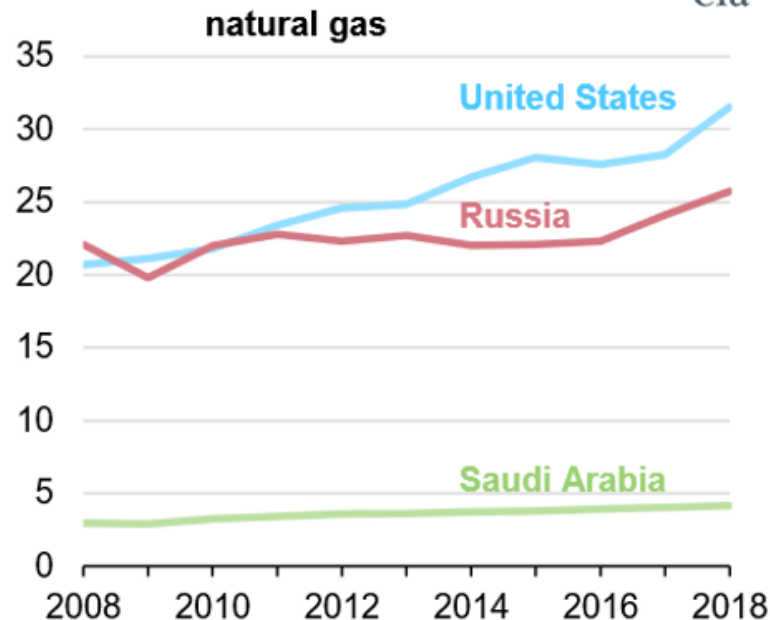
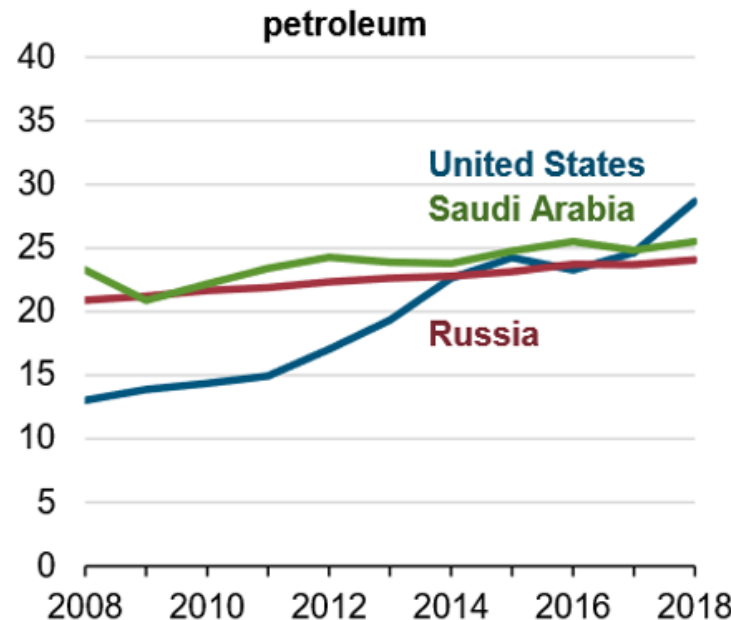
Alaskan crude oil production
million barrels per day



United States - Largest Producer in World



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



Source: U.S. Energy Information Administration, based on International Energy Statistics
 Note: Petroleum includes crude oil, condensate, and natural gas plant liquids.

Source: U.S. Energy Information Administration – www.eia.gov/aeo



Future: World Needs Oil & Gas



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

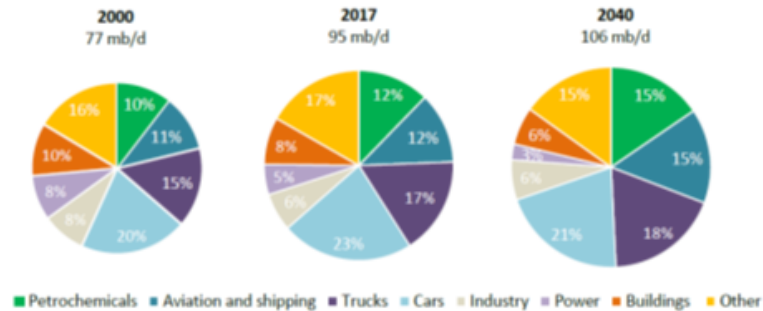
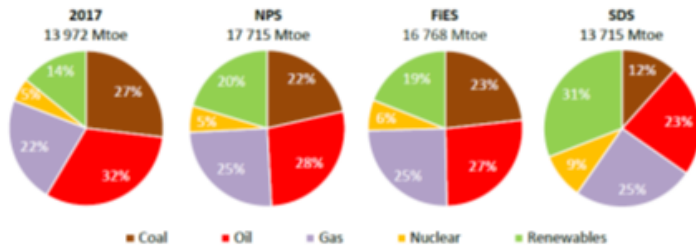


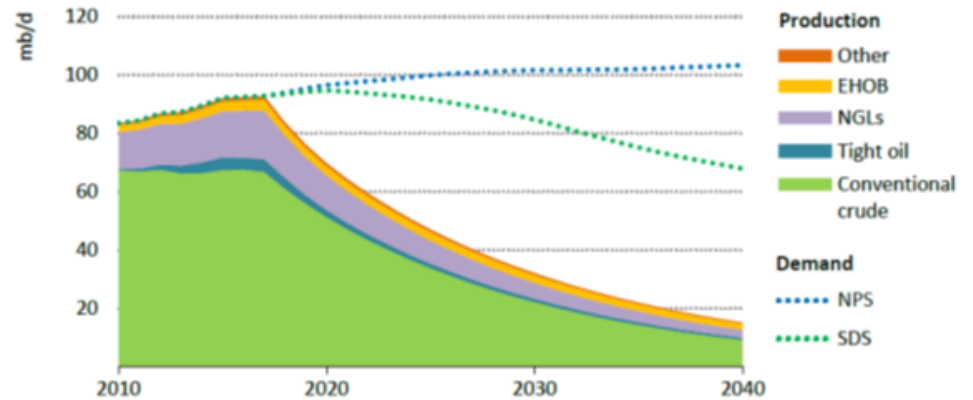
Figure 10.15 ▶ Shares of fuels in world primary energy demand today and in 2040 by scenario



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

Note: NPS = New Policies Scenario; FIES = Future is Electric Scenario; SDS = Sustainable Development Scenario.

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



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

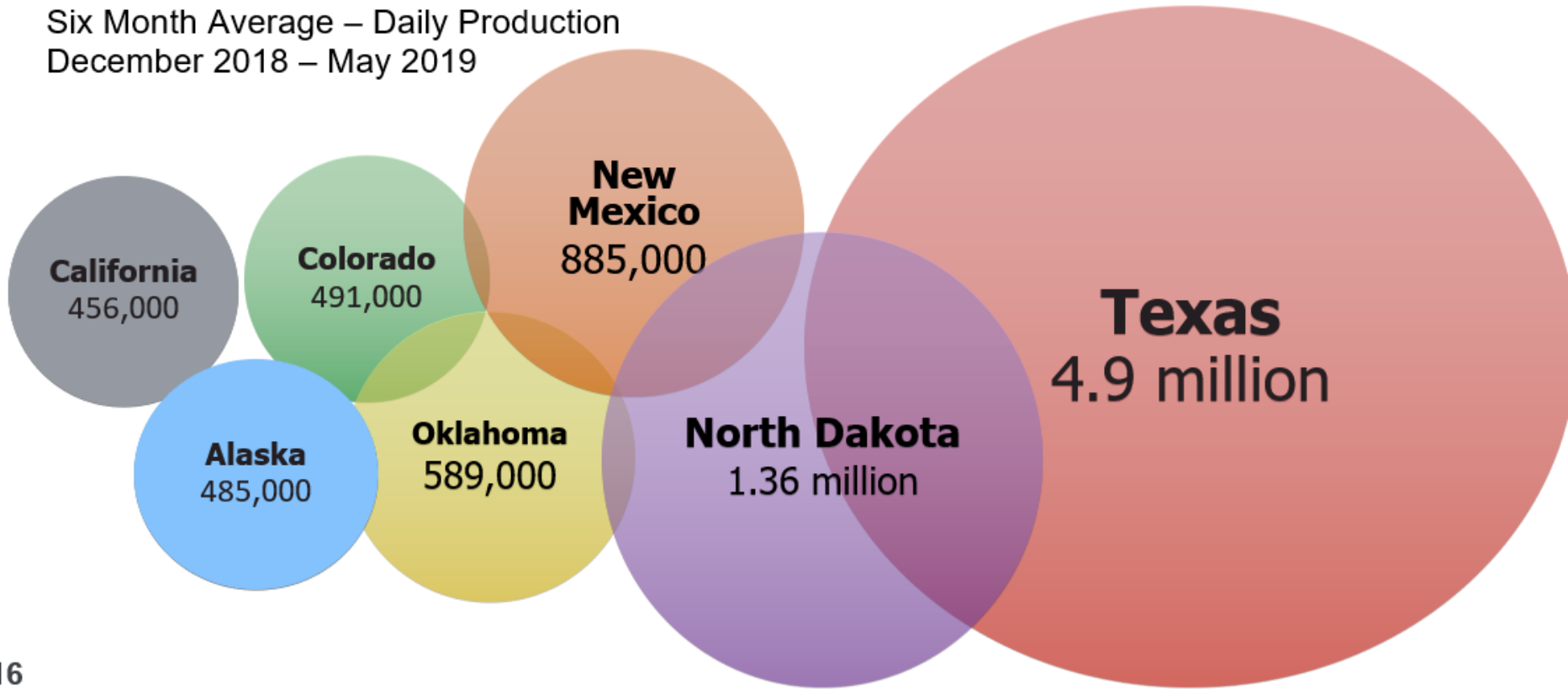
Note: EHOB = extra-heavy oil and bitumen; NGLs = natural gas liquids; NPS = New Policies Scenario; SDS = Sustainable Development Scenario.

Source: International Energy Agency – World Energy Outlook 2018

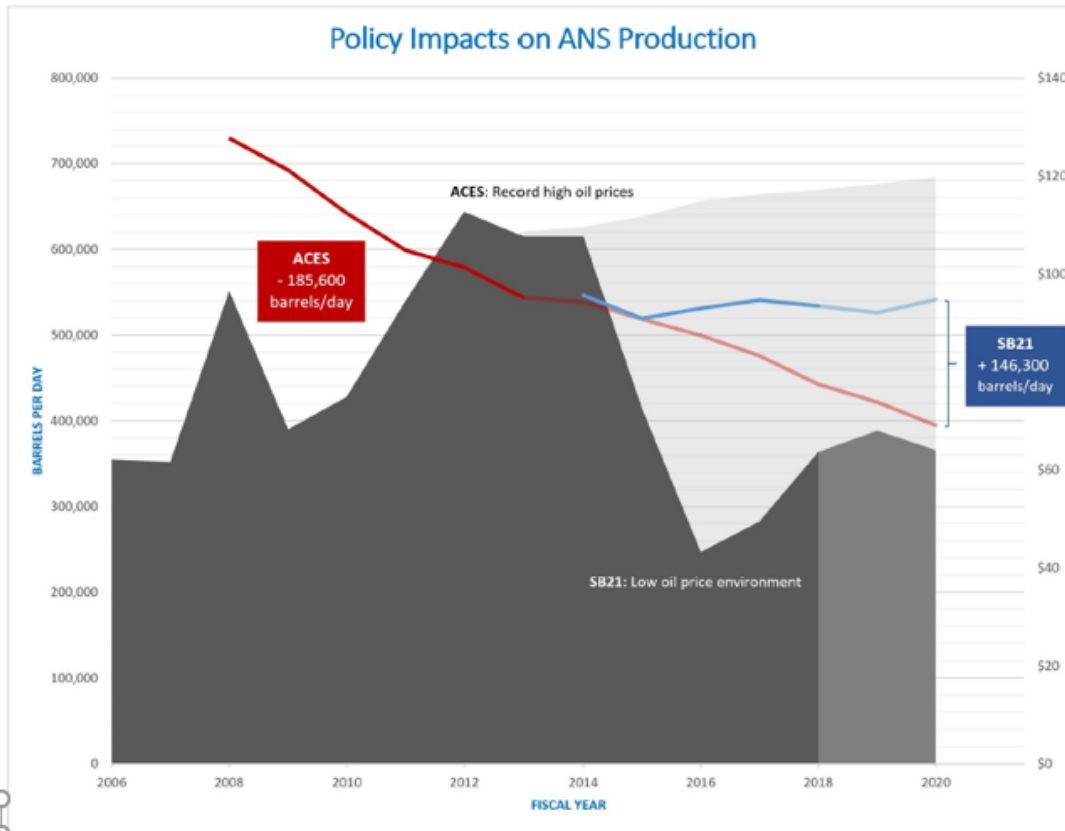
Alaska: 6th in U.S. Production



Six Month Average – Daily Production
December 2018 – May 2019



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



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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 ”

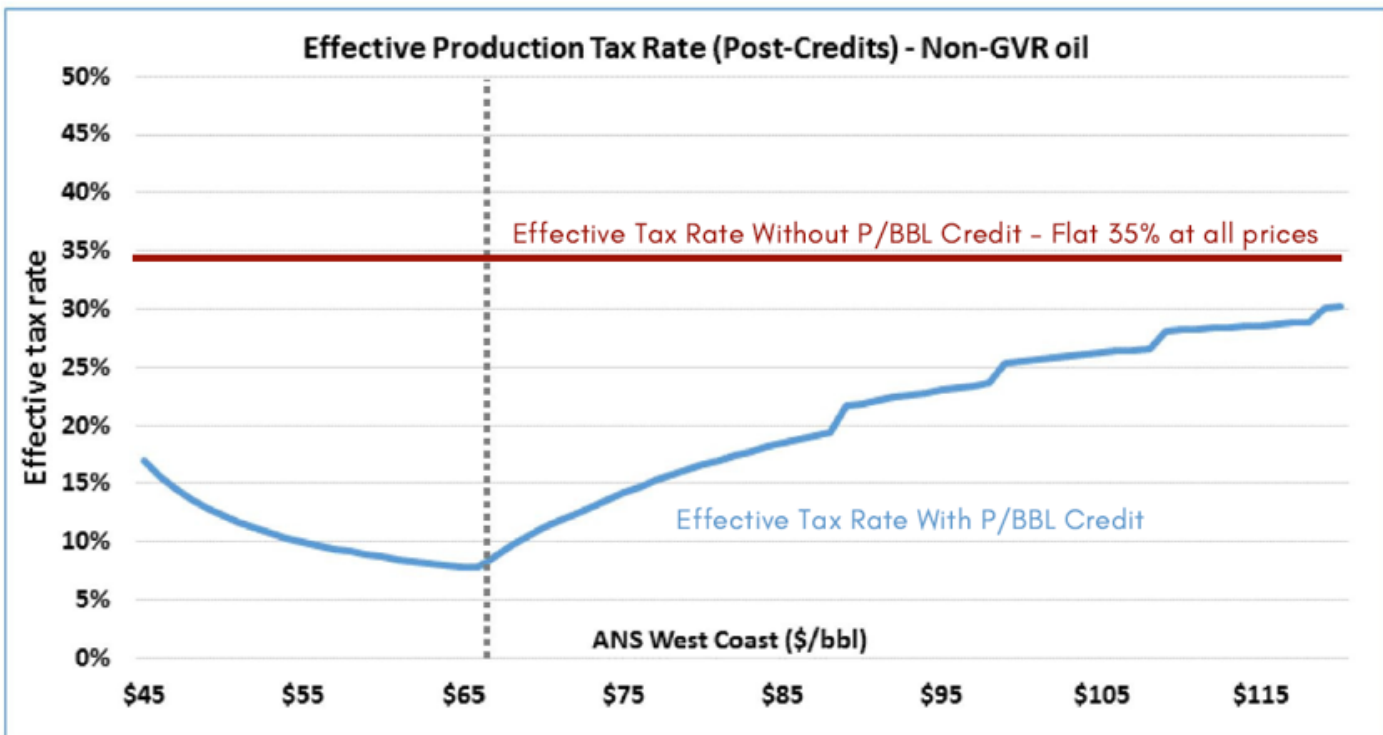
- Roger Marks, Legislative Consultant, April 15, 2017

”

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

- Enalytica, Legislative Consultant, June 17, 2015

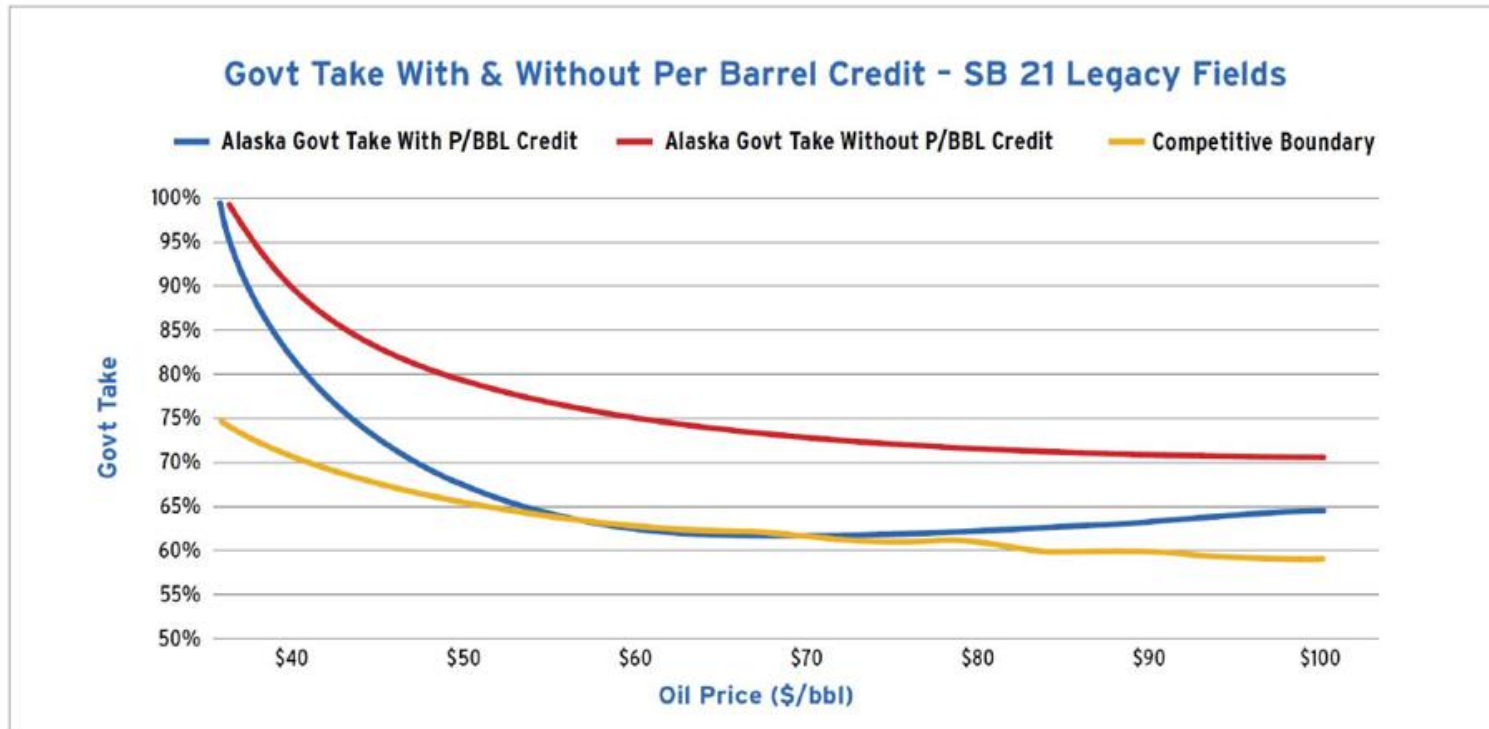
Per Barrel Keeps Alaska Competitive



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

- **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**

