Alaska Business Forum:  
Status of Oil and Gas Production  
Seattle Metropolitan Chamber of Commerce

Presentation by:  
Christine Resler, President & CEO of ASRC Energy Services (AES)  
Brooke Ivy, External Affairs Manager for Alaska Oil and Gas Association (AOGA)  
November 5, 2020
AGENDA

• Economic Impact for Alaska
• Potential Impact & Outcome of Recent Ballot Measure – Alaska Ballot Measure 1
• Global Market Outlook
• The Path Forward for Alaska’s Industry
  – The Renaissance
  – Potential of ANWR
  – Potential for LNG – Qilak
  – Potential for an Alaska to Alberta Railway
• Managing COVID in a Remote Environment
ECONOMIC IMPACT FOR ALASKA

Brooke Ivy, External Affairs Manager for AOGA
OIL AND GAS FUELS ALASKA’S ECONOMY

77,600 Alaska jobs and $4.8 billion in Alaska wages in 2018 or 24% of all wage and salary jobs and 27% of all wages in Alaska

$4.4 billion spent annually with 1,000 local Alaska businesses

$3.1 billion to state and local governments in 2018

Source: “The Role of the Oil and Gas Industry in Alaska’s Economy,” McDowell Group, January 2020
OIL AND GAS FUELS ALASKA’S WORKFORCE

SIGNIFICANT SOURCE OF JOBS

77,600 jobs & $4.8 billion in wages
or 24% of all wage and salary jobs
and 27% of all wages in Alaska

SUPPORTS PRIVATE & PUBLIC SECTORS

1 → 8 Jobs
For every primary company job, 8 Alaska jobs are associated with company spending

1 → 7 Jobs
For every primary company job, 7 Alaska jobs are associated with oil taxes and royalties

GENERATES WAGES

$1 → $4
For every dollar earned by primary company employees, $4 are generated in additional indirect and induced wages

Alaska’s oil and gas industry remains the single most important economic engine in the state
Oil and Gas contributes to Alaska’s budget

Fiscal Year 2019 Total Revenue to State: $3.070 Billion (does not include federal taxes)

- **Production Tax**: $587 million
- **Property Tax - State**: $120 million
- **Property Tax - Local**: $447 million
- **Corporate Income Tax**: $218 million
- **Royalties – General Fund**: $1.077 billion
- **Royalties – Permanent Fund**: $382 million
- **Other**: $239 million

Source: Alaska Department of Revenue
POTENTIAL IMPACT & OUTCOME OF RECENT BALLOT MEASURE – ALASKA BALLOT MEASURE 1

Brooke Ivy, External Affairs Manager for AOGA
WHAT WOULD BALLOT MEASURE 1 DO?

- Raises production taxes by 150% to 300%* in a single year
- Targets and isolates three large North Slope oil fields
- Requires monthly tax returns and all records to be public

*Depending on the price of oil, Source: Roger Marks, Independent Economist
SUPPORT/OPPOSITION: WHAT THEY’RE SAYING

YES on 1: “Fair Share Act”
- Alaskans are not getting a fair share for their oil
- SB21 isn’t working - didn’t deliver on jobs, production, revenue
- State is giving away $1.5 - $2 billion per year in tax breaks for largest and most profitable fields
- Voting YES will create more jobs, save the PFD, and fix the budget

NO on 1: “OneALASKA”
- Ballot Measure 1 goes too far and puts Alaska’s economic recovery at risk
- SB21 is working and has resulted in more production and revenue, despite low oil prices
- Credit “giveaway” is a misnomer, and this change won’t solve budget problems
- Voting NO will save jobs, keep projects/production growing, and protect revenues for the PFD and budget
IS SB21 WORKING? YES - A LOOK AT PRODUCTION

Old tax structure: 25% decline in production

Record high oil prices

Tax Reform Passed (SB21)

Low oil prices

75,000 barrels more per day

The truth of the numbers is that under SB 21, in the current price regime,
SB 21 HAS EARNED MORE MONEY THAN ACES WOULD HAVE.

Randy Hoffbeck, Alaska Department of Revenue Commissioner, June 17, 2015

Source: Alaska Department of Revenue
GOVERNMENT TAKE: THE COMPETITIVE BOUNDARY

Higher tax than ACES up to $100 per barrel

150% - 350% tax increase up to $75 per barrel price

*Government Take includes all state and federal taxes and royalties

Source: Roger Marks, Independent Economist
Expectation: $60 Per Barrel in 2020

- Norway
- Brazil
- North Dakota
- Alberta
- Texas
- New Mexico
- Alaska - Current
- Oklahoma
- Argentina
- Colorado
- U.K.
- California
- Gulf of Mexico

Government Take at $60 per barrel
(includes state, federal, and local taxes and all royalties)

Source: Roger Marks, Independent Economist
Expectation: $40 Per Barrel in 2020

Government Take at $40 per barrel
(includes state, federal, and local taxes and all royalties)

Source: Roger Marks, Independent Economist
ECONOMIC STUDIES: WHAT THEY’RE SAYING

This tax increase would reduce future investment activity by over 14%.

This tax increase would risk the jobs of over 6,300 workers directly and indirectly employed by producers.

[Ballot Measure 1] would double-down on an already anticompetitive tax regime.

Economic study commissioned by the ANCSA Regional Association: “Severance Taxes: A Case Study Analysis of Alaska’s Ballot Measure 1”
Most of the jurisdictions in the peer group improved fiscal terms since the 2014 oil price crash

- **AK**: $1/bbl tax on Cook Inlet
- **CO**: Sunsets Cook Inlet credits
- **US**: Sunsets credit for exploratory wells in frontier basins
- **NM**: Increases royalty from 16.67% to 20%
- **UK**: Royalty valuation rule
- **BR**: Imposes further restrictions on tax credits and deductions
- **US**: Increases royalty from 18.75% to 20%

**2015**
- **UK**: Reduces Supplementary Charge from 32% to 20%
- **AO**: Introduces basin wide investment allowance for SC
- **BR**: Reduces rate of PRT from 50% to 35%
- **UK**: Lowers extraction tax from 6.5% to 5% and removes lower price triggers

**2016**
- **BR**: Incentives for marginal fields
- **AO**: Changes from mandatory to optional participation by Petrobras in pre-salt
- **US**: Reduces Supplementary Charge from 20% to 10%
- **UK**: Permanently reduces PRT to 0%

**2017**
- **BR**: Extending the validity of the temporary import regime by 20 years
- **AO**: Reduces corporate income tax
- **US**: First year bonus depreciation of 100%
- **UK**: Offers lower royalty rate for shallow water
- **UK**: Permanently reduces PRT to 0%
- **UK**: Funding geological surveys

**2018**
- **BR**: New gas law offering lower tax for gas
- **AO**: New fiscal terms and incentives for marginal zones
- **UK**: Reduced royalty for marginal fields
- **US**: Transferable tax history for late-life assets

**2019**
- **NO**: Reduced severance tax and conservation tax

**2020**
- **NO**: 100% depreciation of capital expenditure in 2020-2021

Source: IHS Markit
WE HAVE 2 PATHS -

VOTING YES: Rapid decline; harvest mode

VOTING NO: Based early results, optimistic Alaska’s voters have chosen a future with oil & gas.

**Ballot Measure No. 1 - 19OGTX**

Precincts Reported: 441 of 441 (100.00%)

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GLOBAL MARKET OUTLOOK

Christine Resler, President & CEO of AES
DEMAND REMAINS: ALASKA NEEDS TO COMPETE

Energy production (AEO2020 Reference case) quadrillion British thermal units

- 2019 history projections
- dry natural gas
- crude oil and lease condensate other renewable energy
- coal natural gas plant liquids nuclear hydro

Changes in the Global Energy Mix 2018 vs Stated Policies 2040

- Oil 4600 4900
- Natural Gas 3500 4500
- Coal 3850 3750
- Other Renewables
- Modern Bioenergy
- Nuclear
- Solid Biomass
- Hydro

- Based on current and announced policy frameworks, oil will make up about 28% of the global energy mix in 2040.
- Gas use will increase nearly 30%, making it almost as important in the energy mix as oil.
- Despite coal use steadily dropping in Western countries, demand will be buoyed by Asia.
- Renewable use, including from solar and wind, will increase by over 300%.
- Modern bioenergy use will almost double, while traditional biomass (e.g., wood, charcoal, etc.) will fall out of favor.

*Estimated figures in Million Tonnes of Oil Equivalent (MTOE)

Source: IEA, World Energy Outlook 2019
ALASKA: 6TH IN U.S. PRODUCTION

- California: 425,000
- Colorado: 528,000
- New Mexico: 1.07 million
- Oklahoma: 563,000
- North Dakota: 1.43 million
- Texas: 5.3 million

Six Month Average – Daily Production

Source: U.S. Energy Information Administration - www.eia.gov/aeo
THE PATH FORWARD FOR ALASKA’S INDUSTRY

Brooke Ivy, External Affairs Manager FOR AOGA
Christine Resler, President & CEO of AES
THE RENAISSANCE

CORE FIELDS
Alpine: Fiord West, Narwhal
Kuparuk: Nuna, Eastern NEWS
Prudhoe Bay: I Pad, M Pad, VL8K
Core Fields Development Drilling

Oil Search & Repsol
Pikka exploration & Nanushuk development

Hilcorp: Liberty development

ExxonMobil: Pt. Thomson Unit

NEW 2017-2018 COPA Leases

2018 COPA Exploration: Seismic Acquisition

2020 COPA Exploration: Harpoon

NEW 2016-2019 COPA Leases

GMT2 Development

COPA: Willow Appraisal and Development
Prior to the pandemic we had $24B of planned expenditures for North Slope development
- Willow
- Pikka
- Nuna
- Liberty
- Eni Spy Island Expansion

Over 200,000 incremental barrels per day down TAPS
- Reduce decline from existing fields
ANWR IS ANOTHER OPPORTUNITY FOR EXPANSION IN ALASKA

POTENTIAL FOR LNG – QILAK LNG 1

• Over 32.4 tcf of gas on the North Slope with many attempts to monetize

• NSLNG concept will have an initial proposed LNG export capacity of 4 to 8 MTPA

• Agreement with ExxonMobil has reserved a gas supply from Point Thomson

• Initial feasibility study has been completed with a plan to install the LNG facility in 2027
The A2A Rail Development Corp. is developing a new rail corridor across the North connecting Alaska to the North American Railroad system.
POTENTIAL FOR AN ALASKA TO ALBERTA RAILWAY

- **Will reduce transport access, time and costs**
  - Connects Alaska to Canada and the lower 48
  - Opens options for both oil and mineral transport
  - Goods and services

- **Received U.S. Presidential Boarder Crossing Permit**

Ongoing Local and Indigenous Community Engagement
MANAGING COVID IN A REMOTE ENVIRONMENT

Christine Resler, President & CEO of AES
INDUSTRY RESPONDS SWIFTLY TO COVID-19

• “Critical Infrastructure” Response Priorities:
  - Safety of employees, contractors, and Alaskan communities
  - Enacting health safety measures in accordance with guidance from WHO, CDC, state and local officials
  - Keeping facilities safe and operational to deliver the energy resources Alaskans depend on
PROTECTING OUR WORKFORCE

- **Cases of COVID have been kept to a minimum on the North Slope**
- **Safety culture in Alaska’s oil industry supported our COVID response**
  - Extensive COVID plans
  - Health checks
  - Workforce education
  - Social distancing
  - Early identification and reporting
  - Quarantining
  - Secure flights off the Slope
  - Now industry has turned to pre-flight COVID testing
THANK YOU!

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