



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)

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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

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)*

Oil and Gas,
small and large,
pay all these
taxes to the state

Royalties –
General Fund,
\$1.077 billion

Royalties – Permanent Fund,
\$382 million

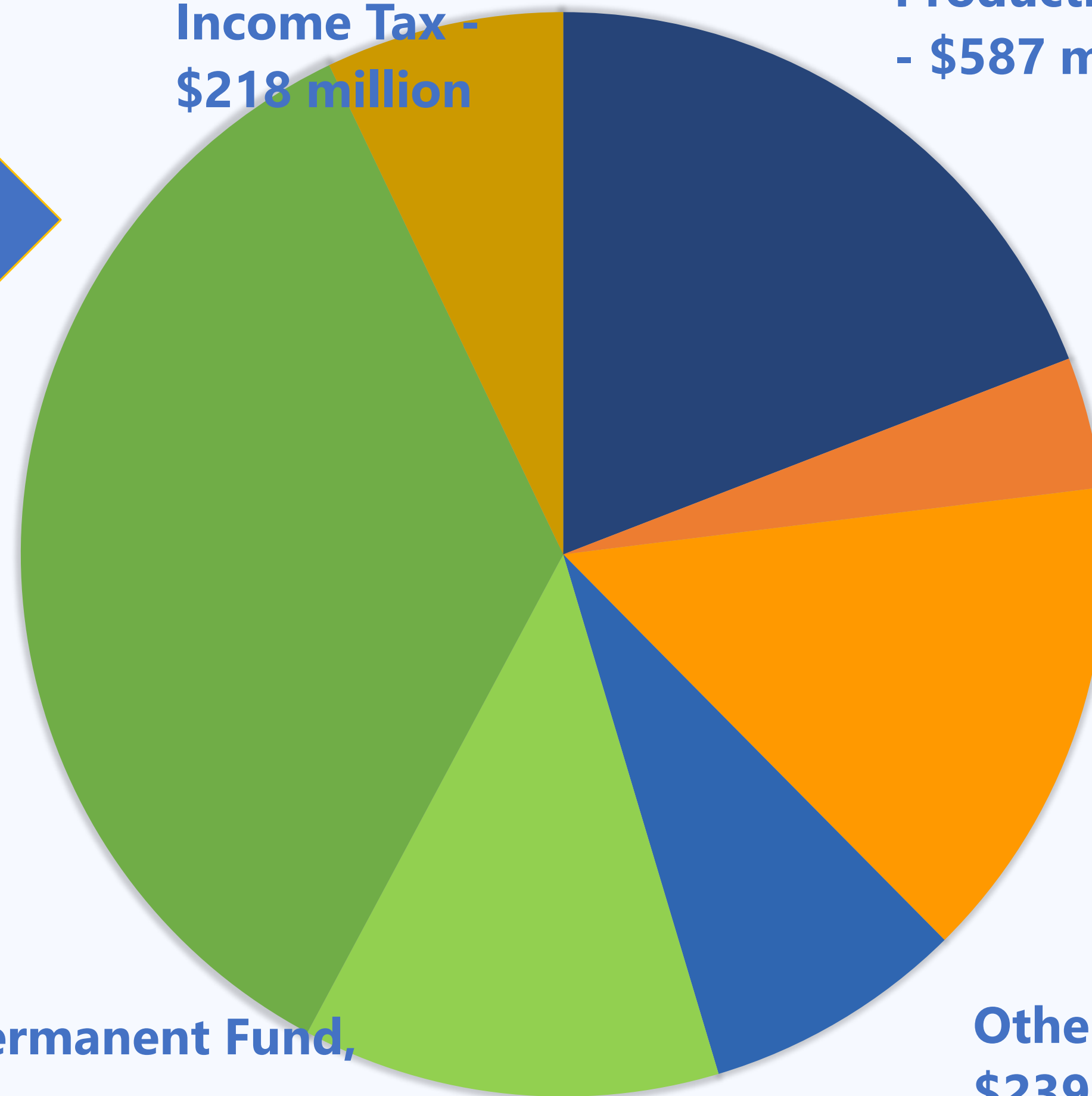
Corporate
Income Tax -
\$218 million

Production Tax
- \$587 million

Property Tax -
State, \$120
million

Property Tax -
Local, \$447
million

Other -
\$239 million



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

SUPPORT/OPPOSITION: WHAT THEY'RE SAYING

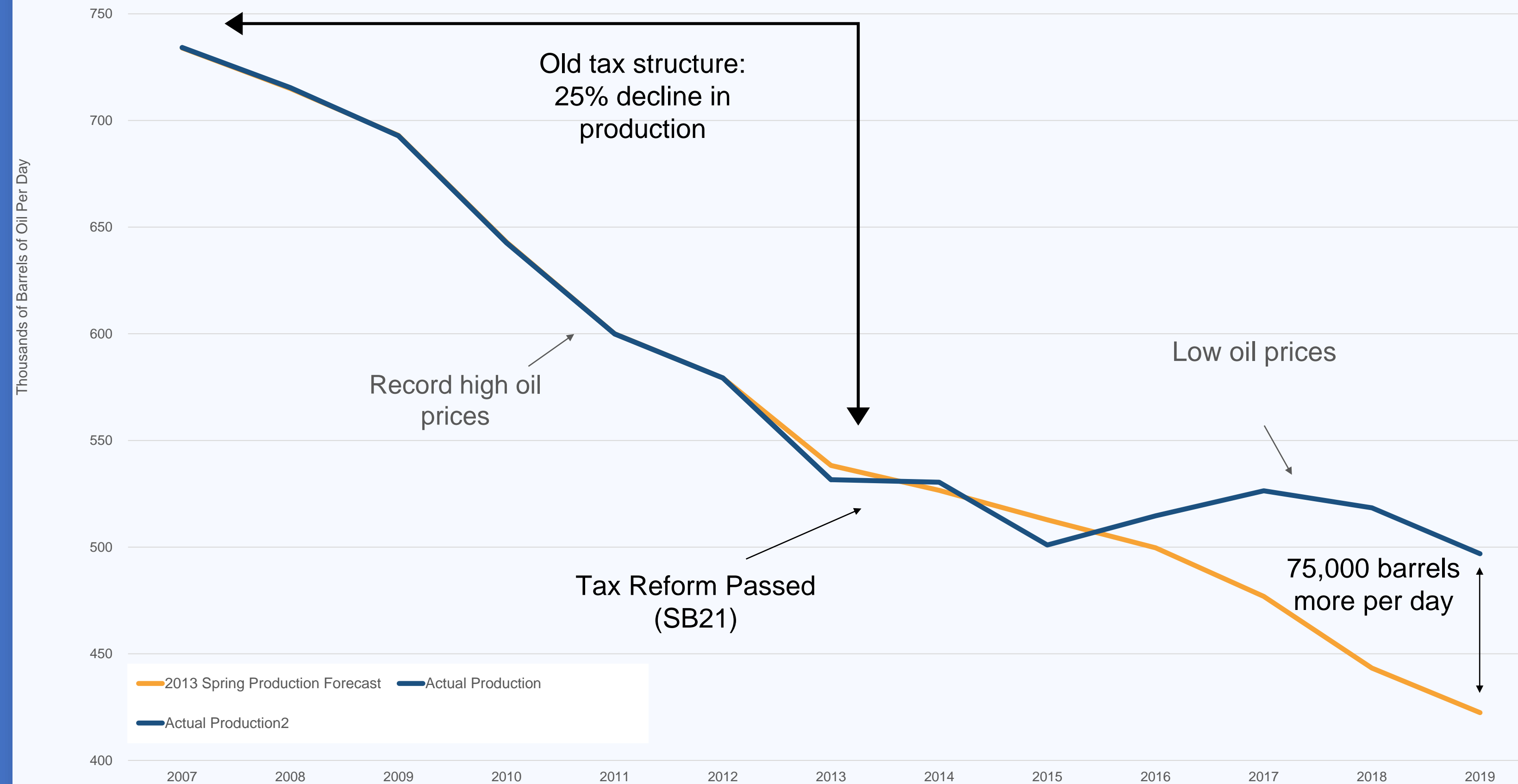
YES on 1: “Fair Share Act”

- 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



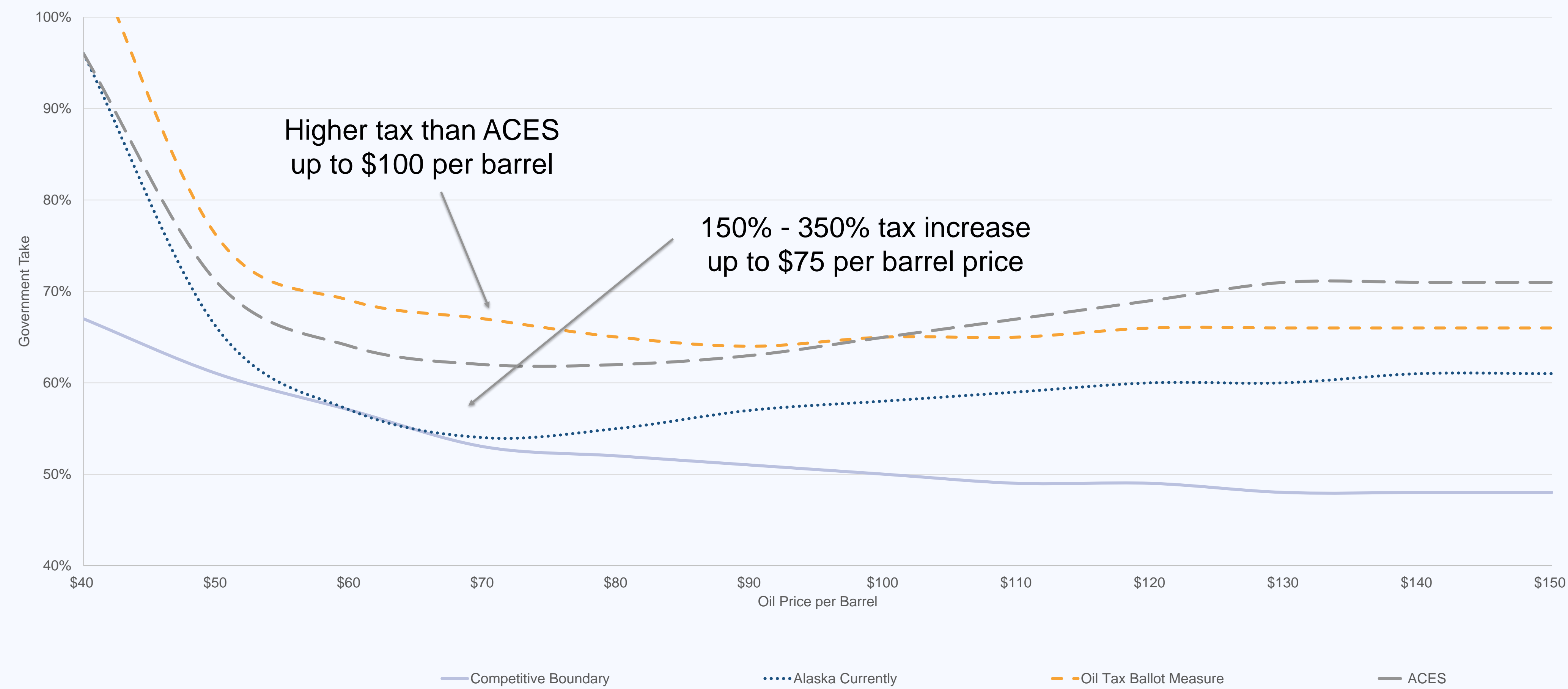
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The truth of the numbers is that under
SB 21, in the current price regime,

**SB 21 HAS EARNED
MORE MONEY THAN
ACES WOULD HAVE.**

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

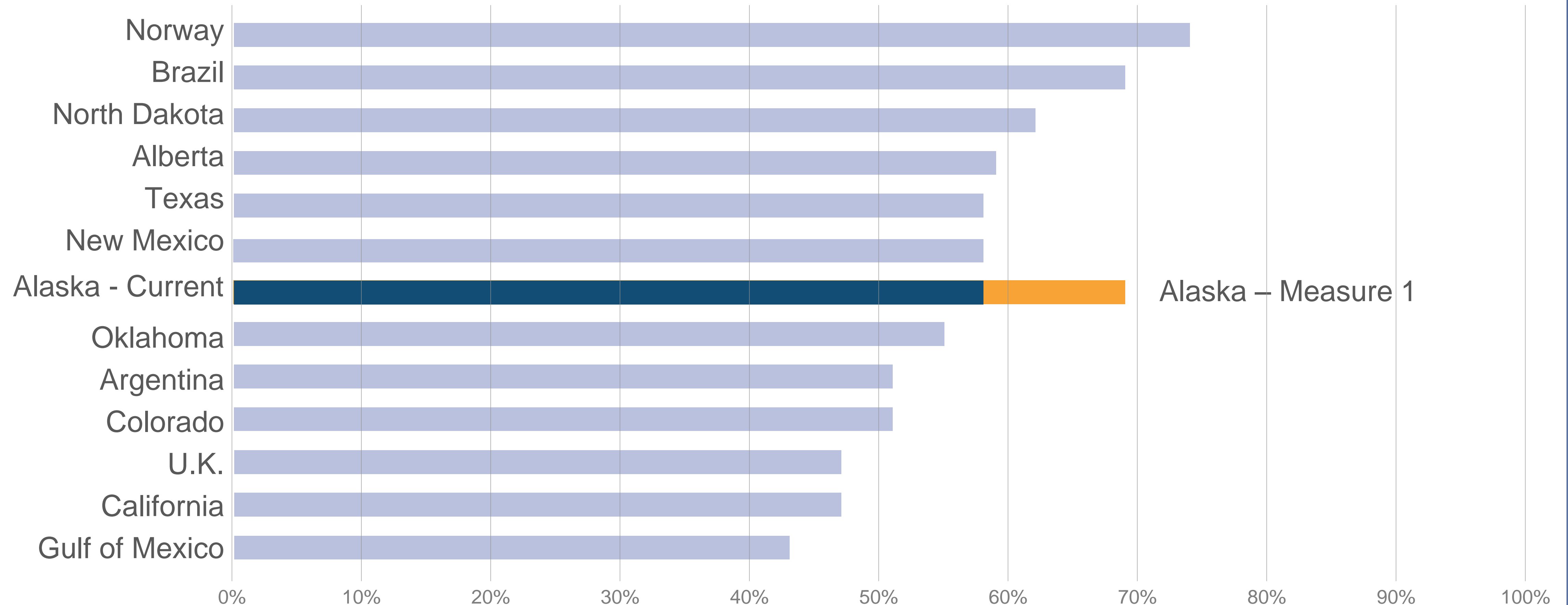
GOVERNMENT TAKE: THE COMPETITIVE BOUNDARY



*Government Take includes all state and federal taxes and royalties

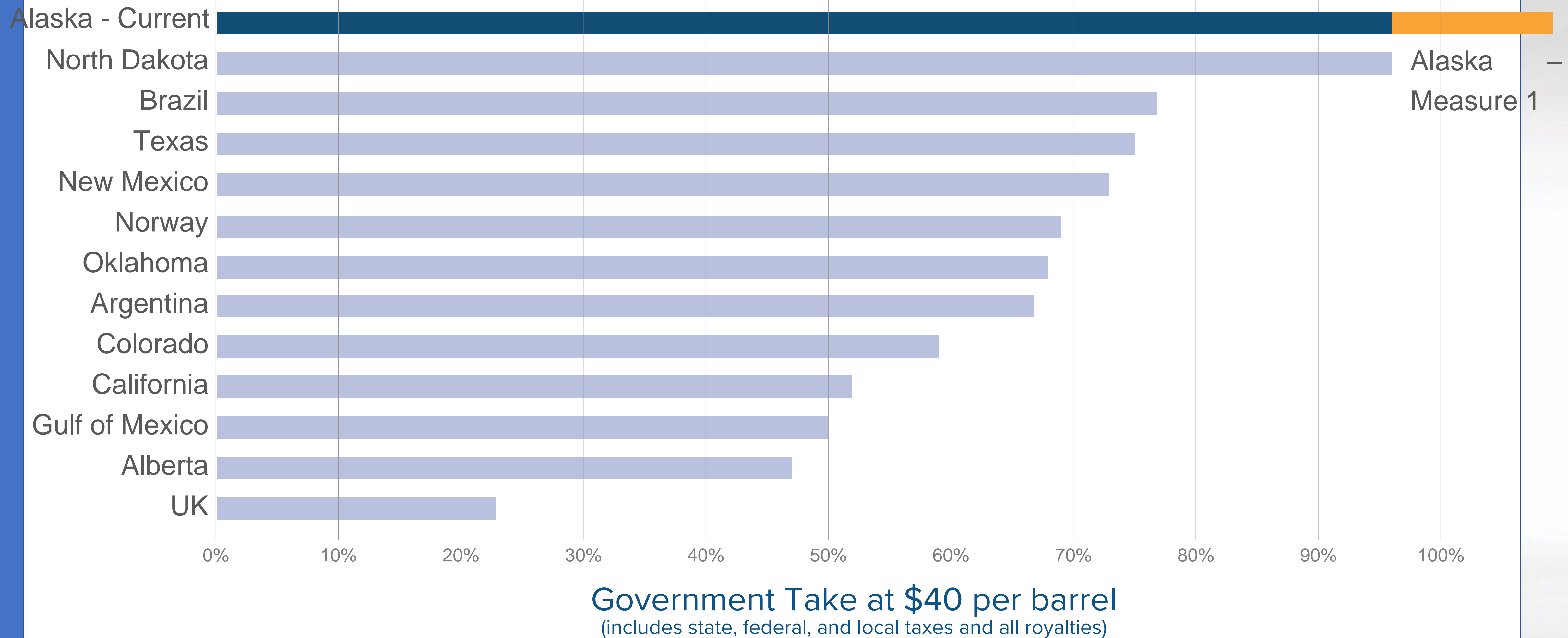
Source: Roger Marks, Independent Economist

Expectation: \$60 Per Barrel in 2020

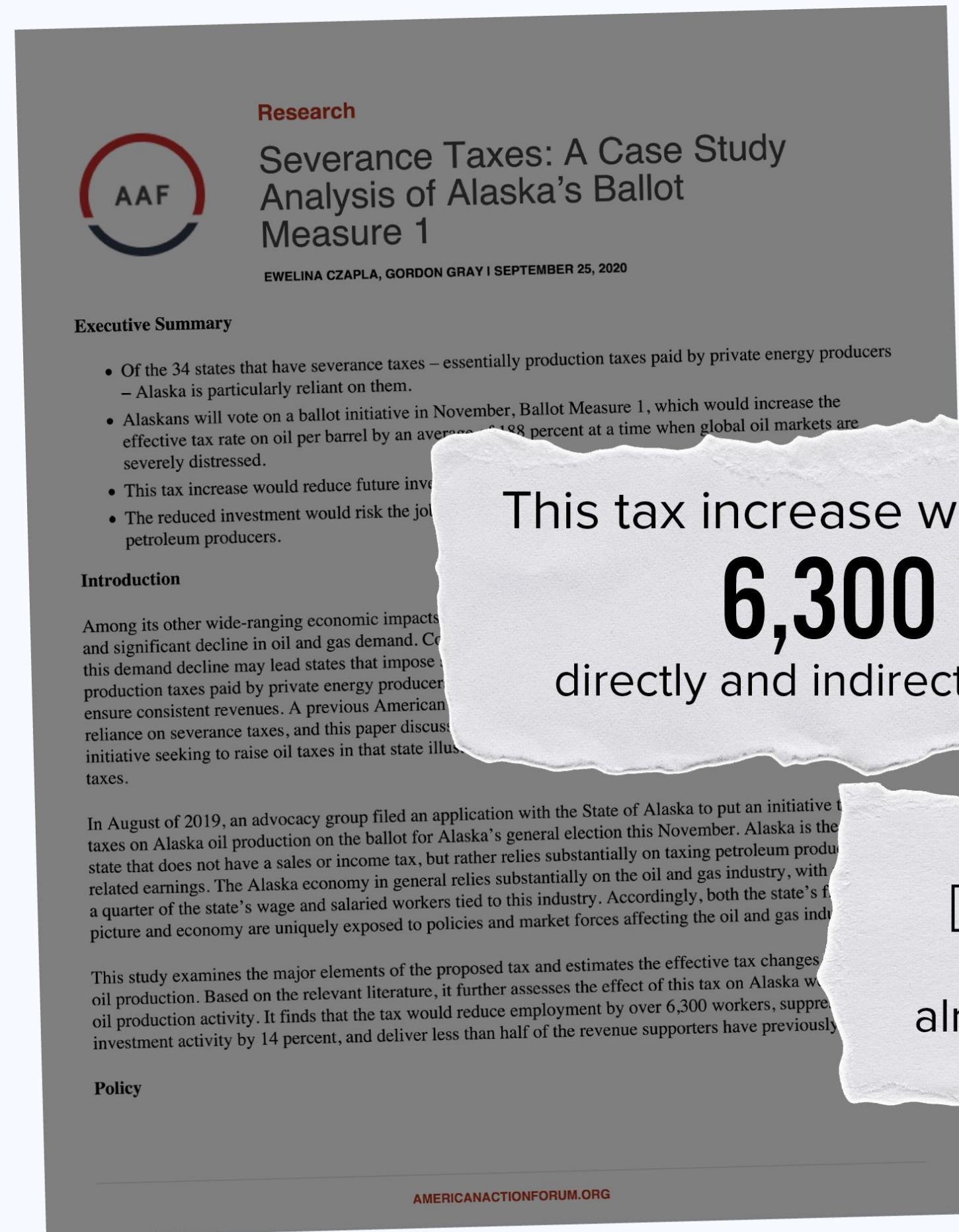


Government Take at \$60 per barrel
(includes state, federal, and local taxes and all royalties)

Expectation: \$40 Per Barrel in 2020



ECONOMIC STUDIES: WHAT THEY'RE SAYING



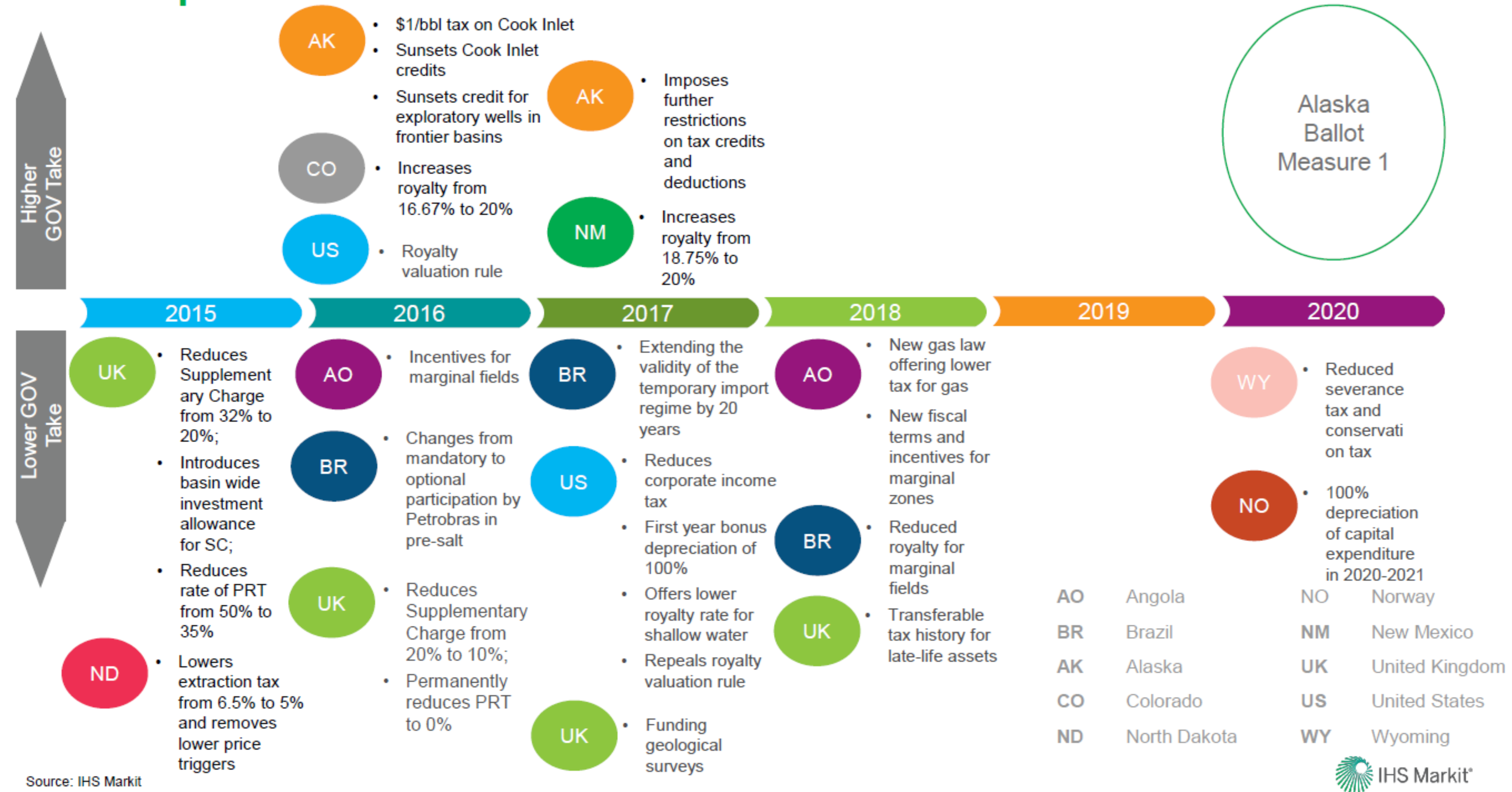
This tax increase would
reduce future investment activity
BY OVER 14%

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



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%)

		Total	
Times Cast		192,918 / 594,966	32.43%
Candidate	Party	Total	
YES		65,813	35.23%
NO		120,999	64.77%
Total Votes		186,812	
		Total	



GLOBAL MARKET OUTLOOK

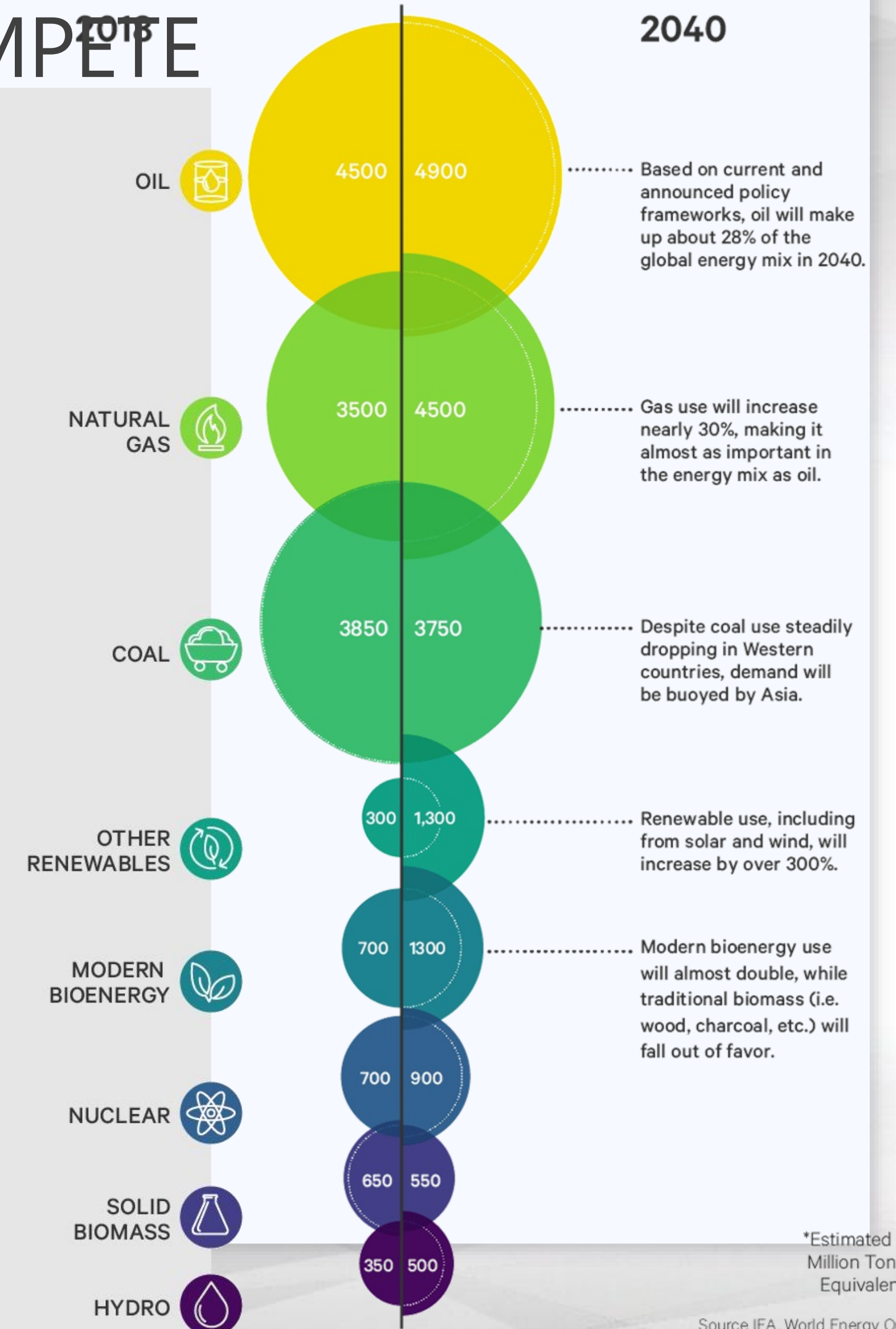
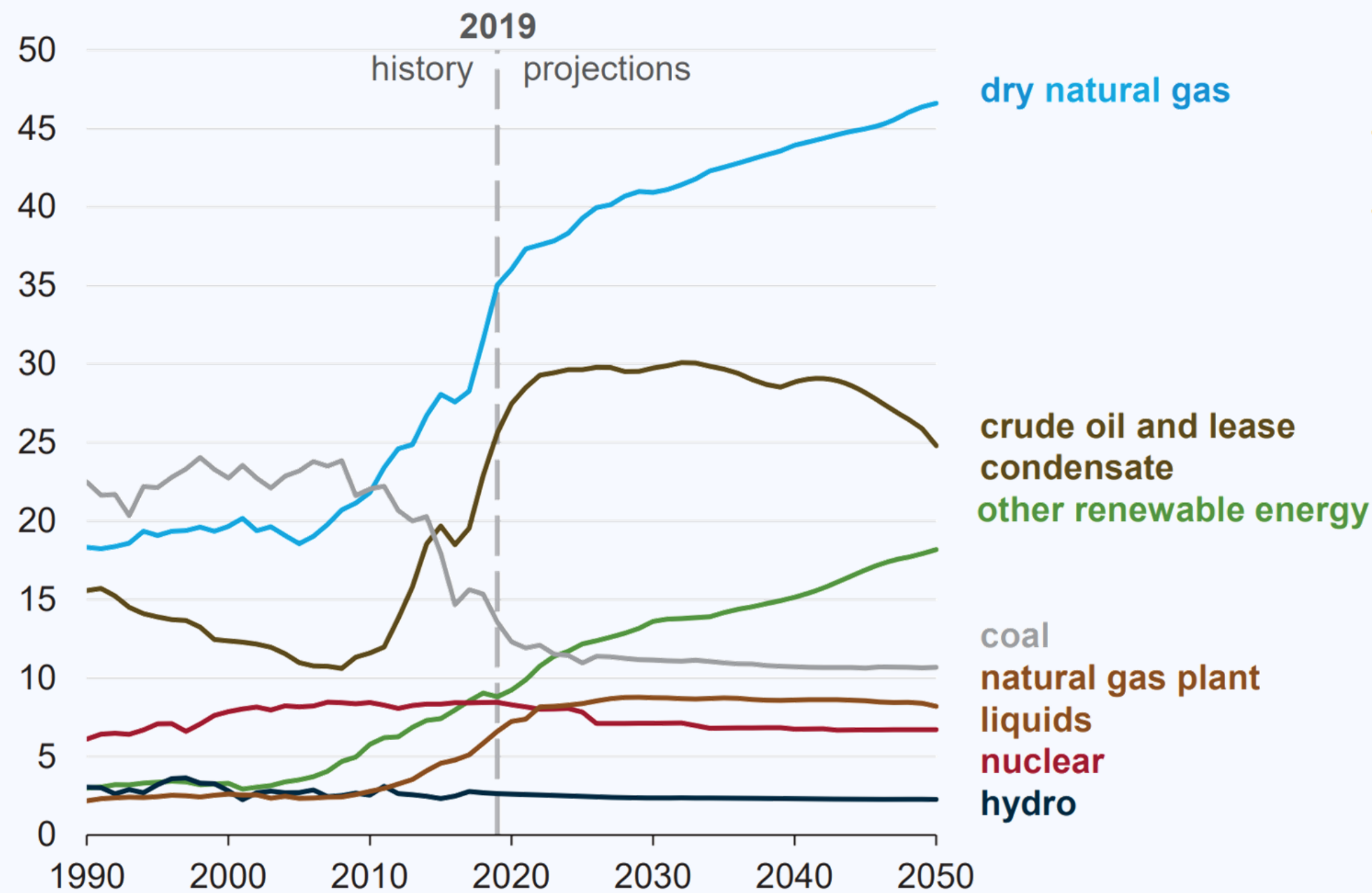
Christine Resler, President & CEO of AES

DEMAND REMAINS: ALASKA NEEDS TO COMPETE

Changes in the Global Energy Mix 2018 vs Stated Policies 2040

Measured in MTOE*

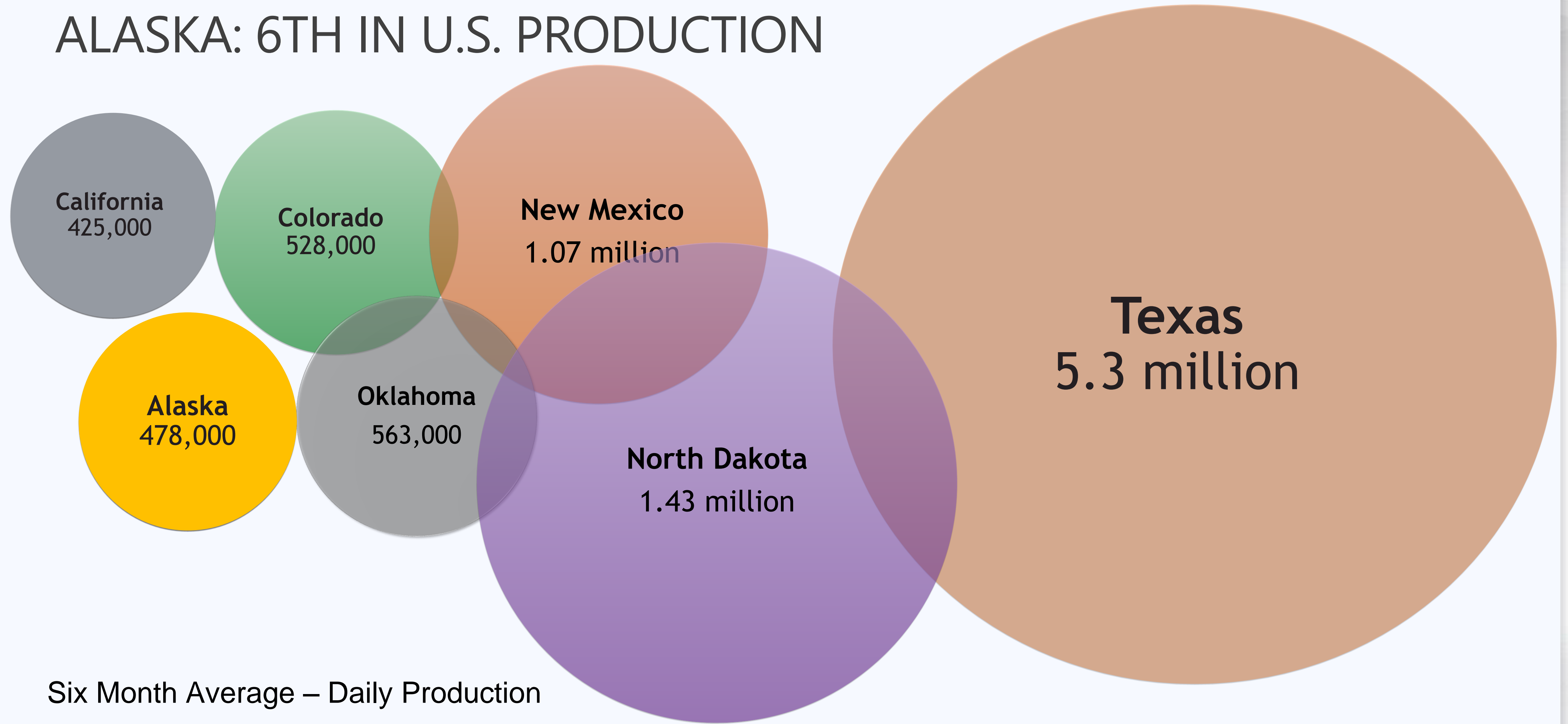
Energy production (AEO2020 Reference case)
quadrillion British thermal units



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

Source IEA, World Energy Outlook 2019

ALASKA: 6TH IN U.S. PRODUCTION



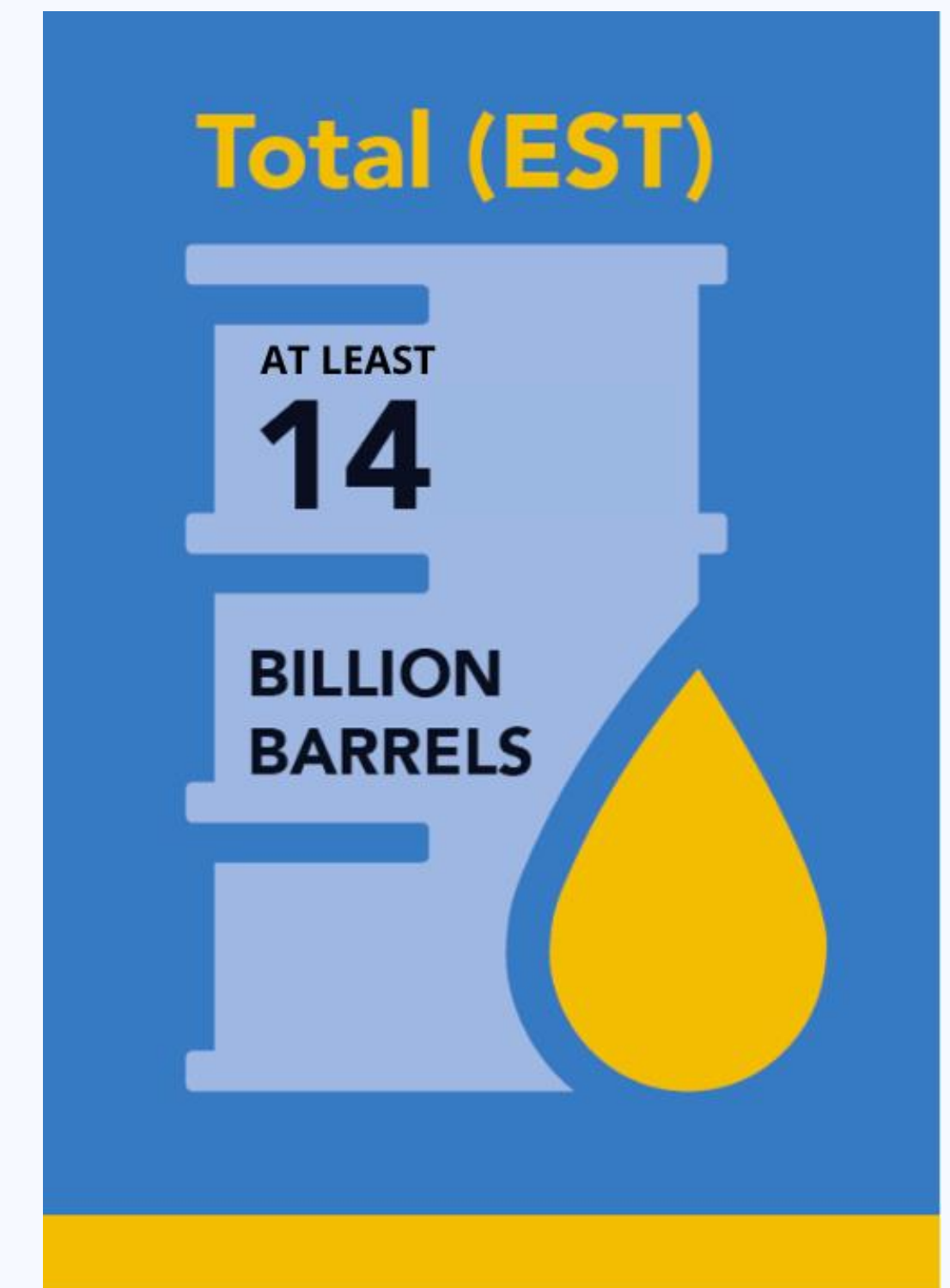
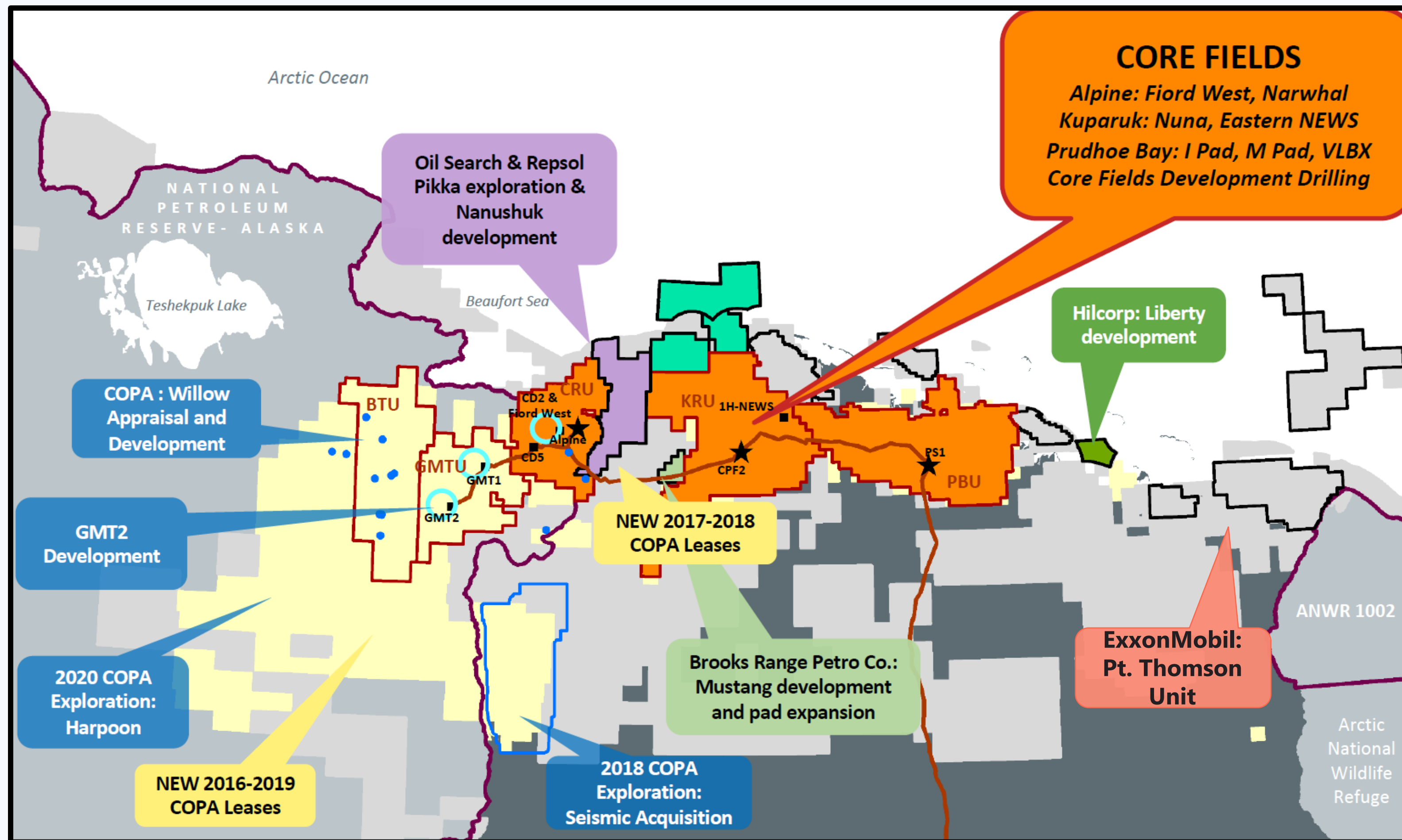
Six Month Average – Daily Production

THE PATH FORWARD FOR ALASKA'S INDUSTRY

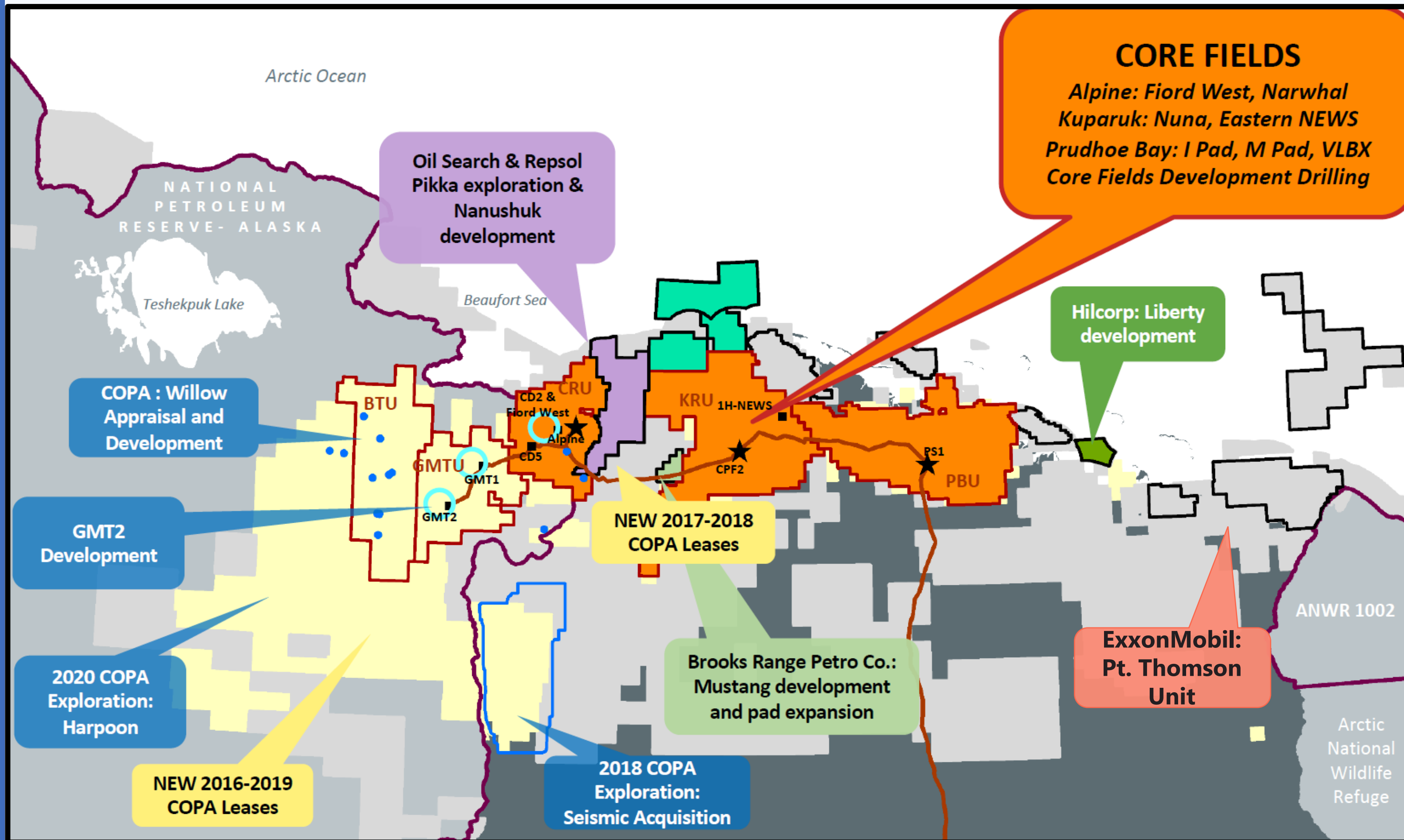
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THE RENAISSANCE

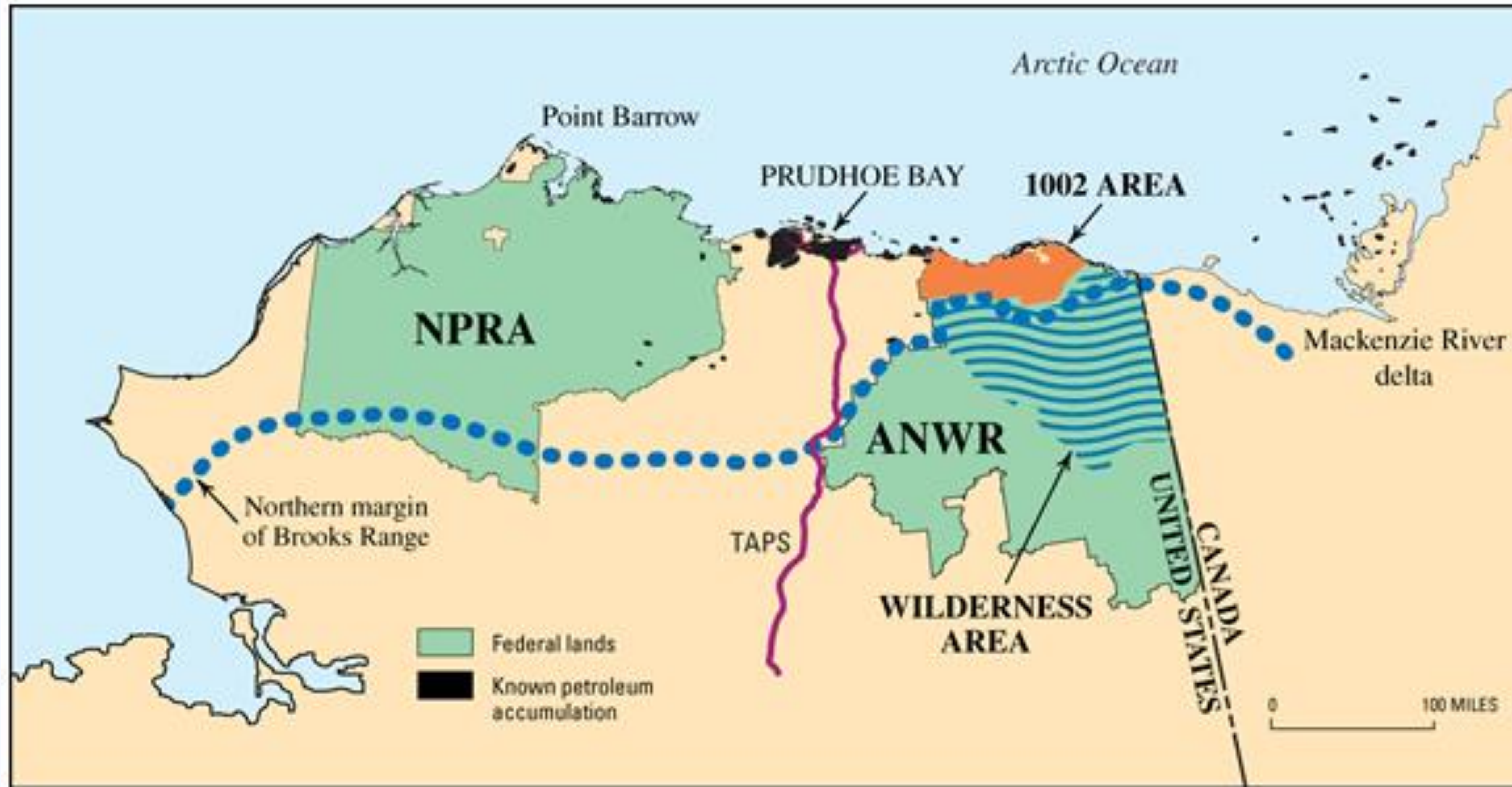


THE RENAISSANCE



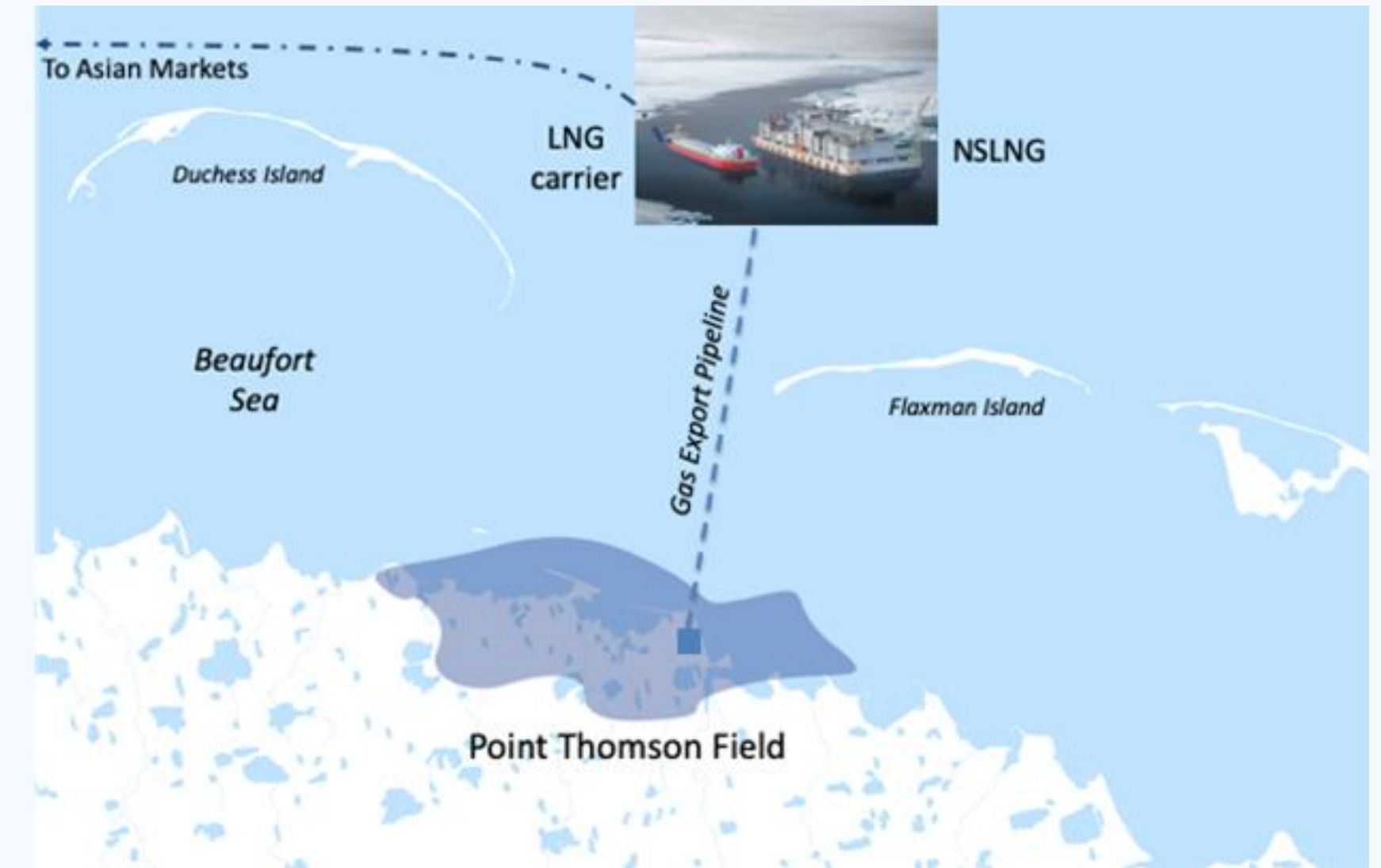
- **Prior to the pandemic we had \$24B of planned expenditures for North Slope development**
 - Willow
 - Pikka
 - Nuna
 - Liberty
 - Eni Spy Island Expansion
- **Over 200,000 incremental barrels per day down TAPS**
 - Reduce decline from existing fields

ANWR IS ANOTHER OPPORTUNITY FOR EXPANSION IN ALASKA



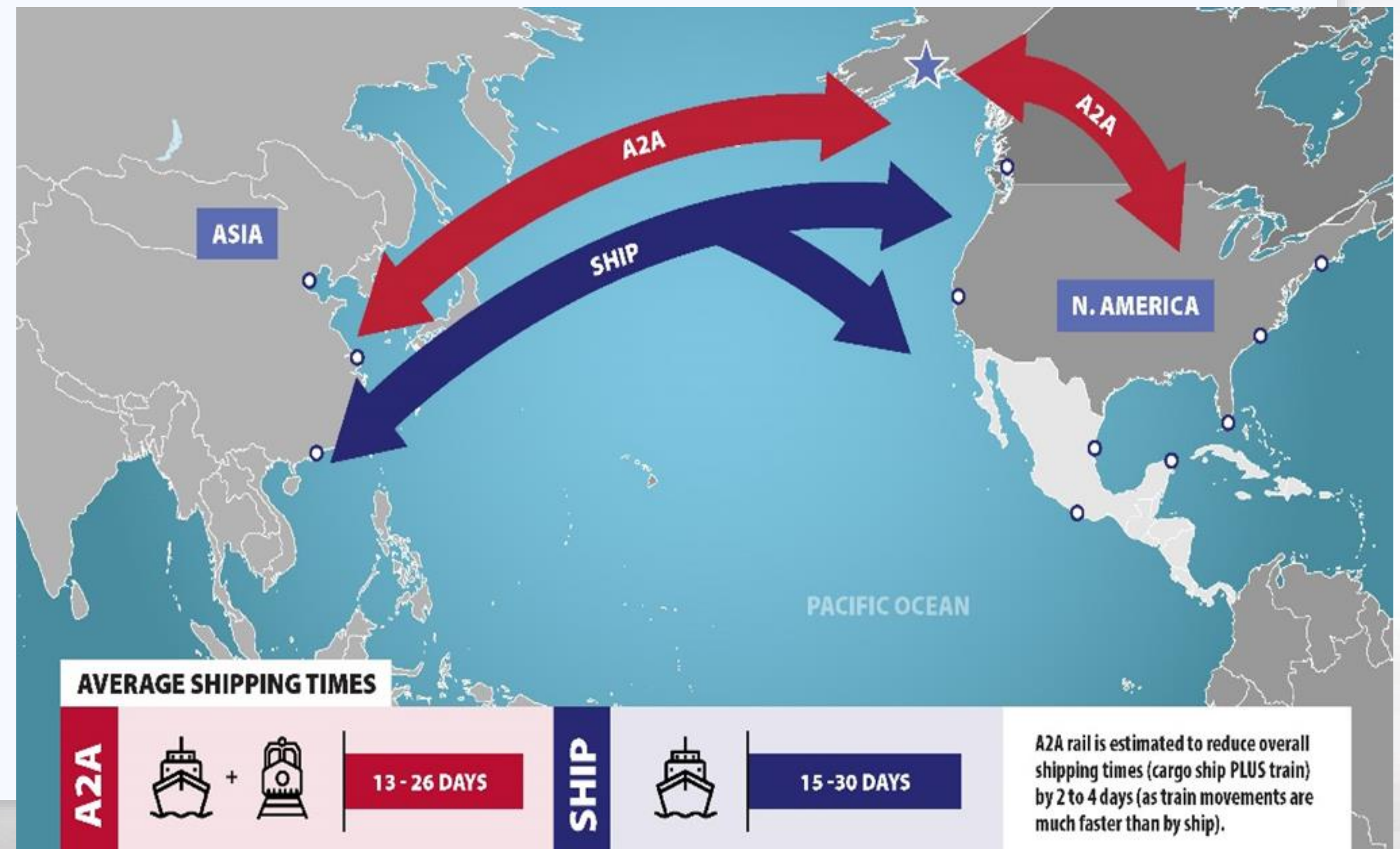
POTENTIAL FOR LNG – QILAK LNG 1

- **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**



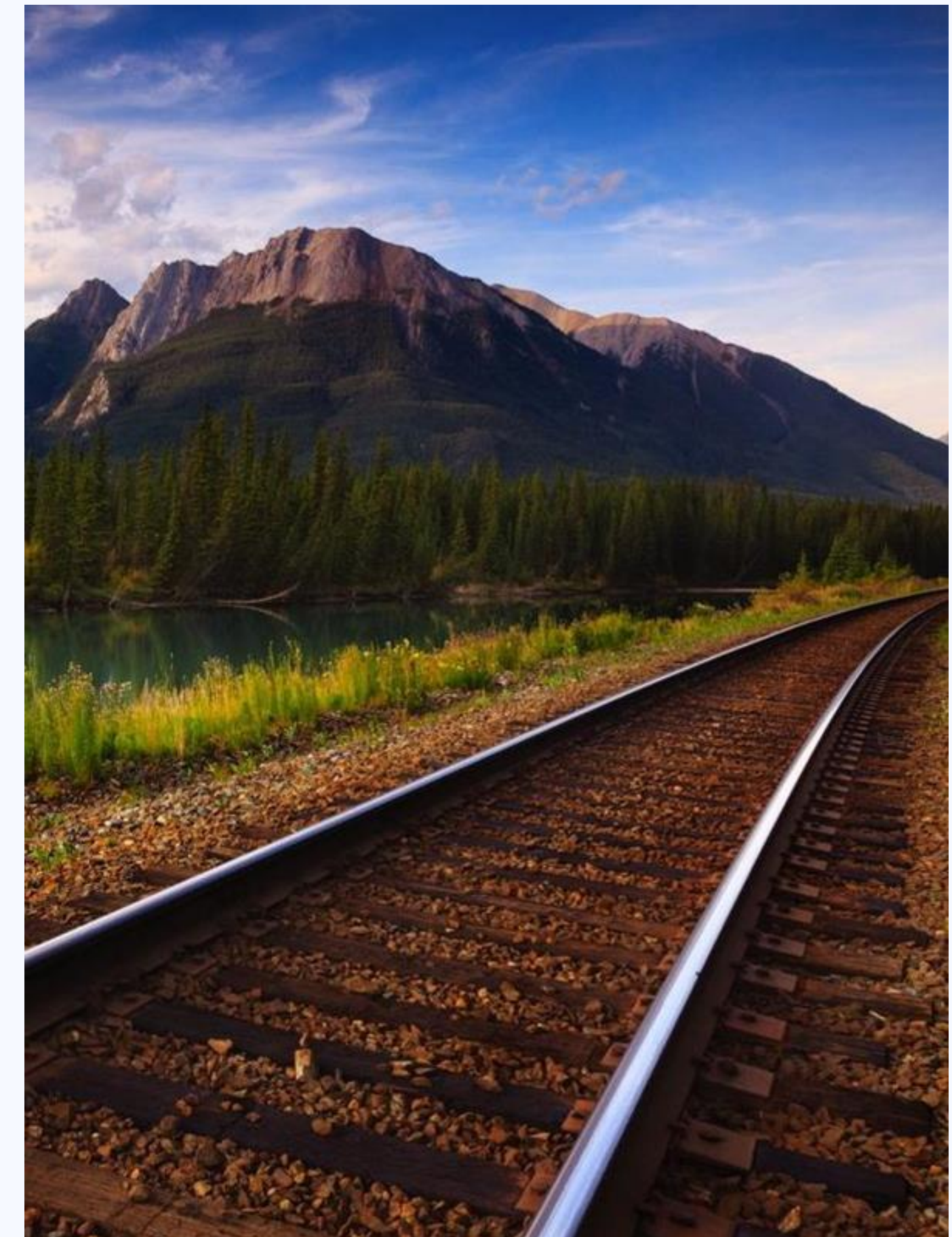
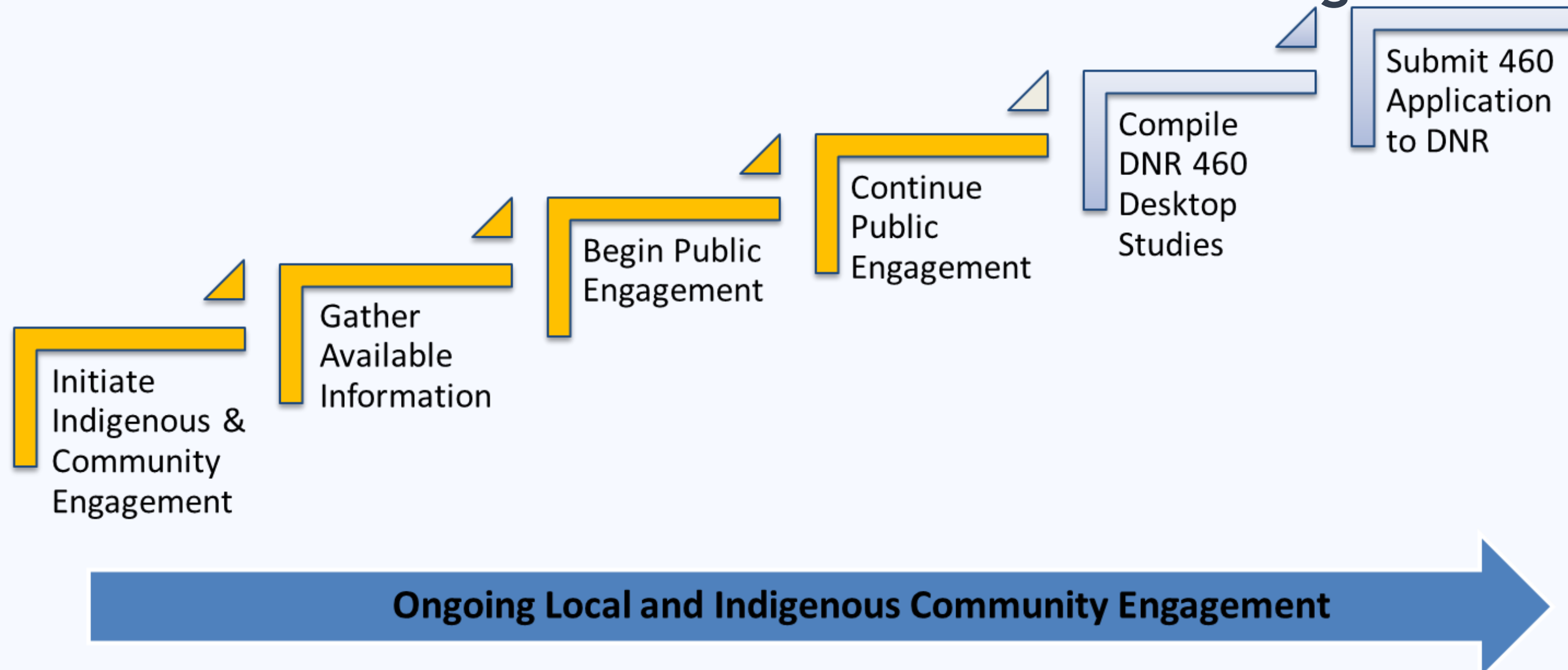
POTENTIAL FOR AN ALASKA TO ALBERTA RAILWAY

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 Border Crossing Permit**



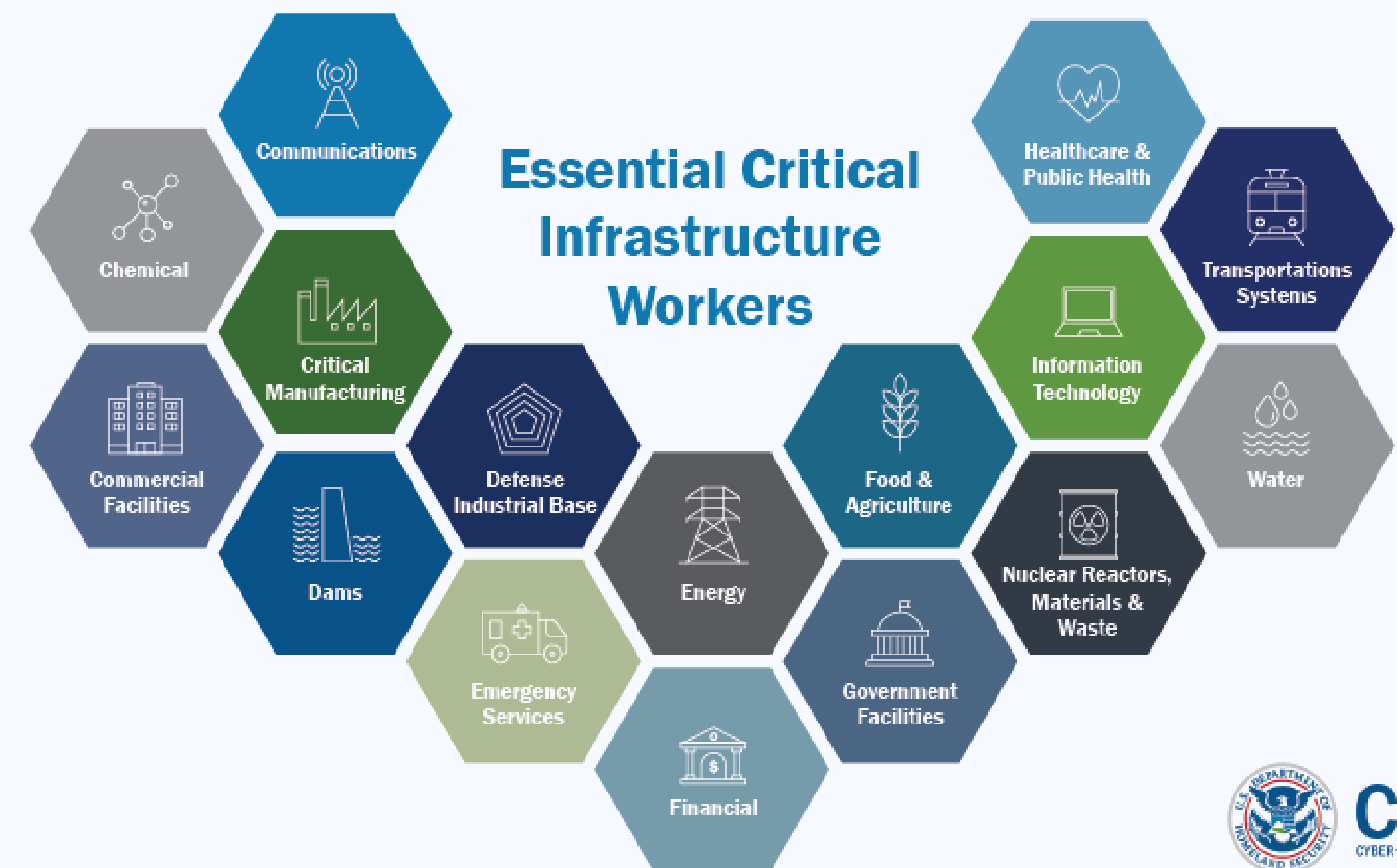
MANAGING COVID IN A REMOTE ENVIRONMENT

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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