

January 23, 2020

# The Role of the Oil and Gas Industry in Alaska's Economy

Prepared for:  
Alaska Oil and Gas Association



# Our Assignment

**Assess the statewide and local impact  
oil and gas industry spending**

Municipality  
of  
Anchorage

Fairbanks  
North Star  
Borough

Kenai  
Peninsula  
Borough

Mat-Su  
Borough

North Slope  
Borough

City of  
Valdez

**Assess statewide employment impact of  
taxes and royalties paid  
by the oil and gas industry**

# Our Goals

**Track direct spending by 17 “Primary Companies”**

**Measure direct, indirect, and induced job and wage impacts**

**Track tax and royalty payments made by the oil and gas industry and employment and wage impacts**

State agency  
(Operating budget)

State programs

Capital projects

Permanent  
Fund Dividend

Local  
government  
operations



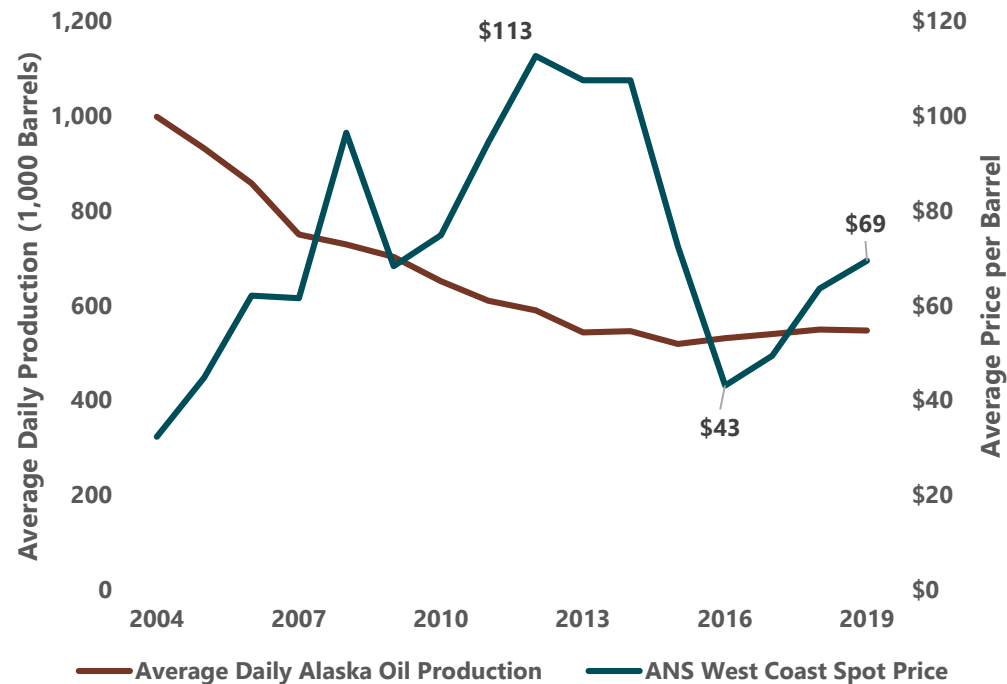
# Economic Context





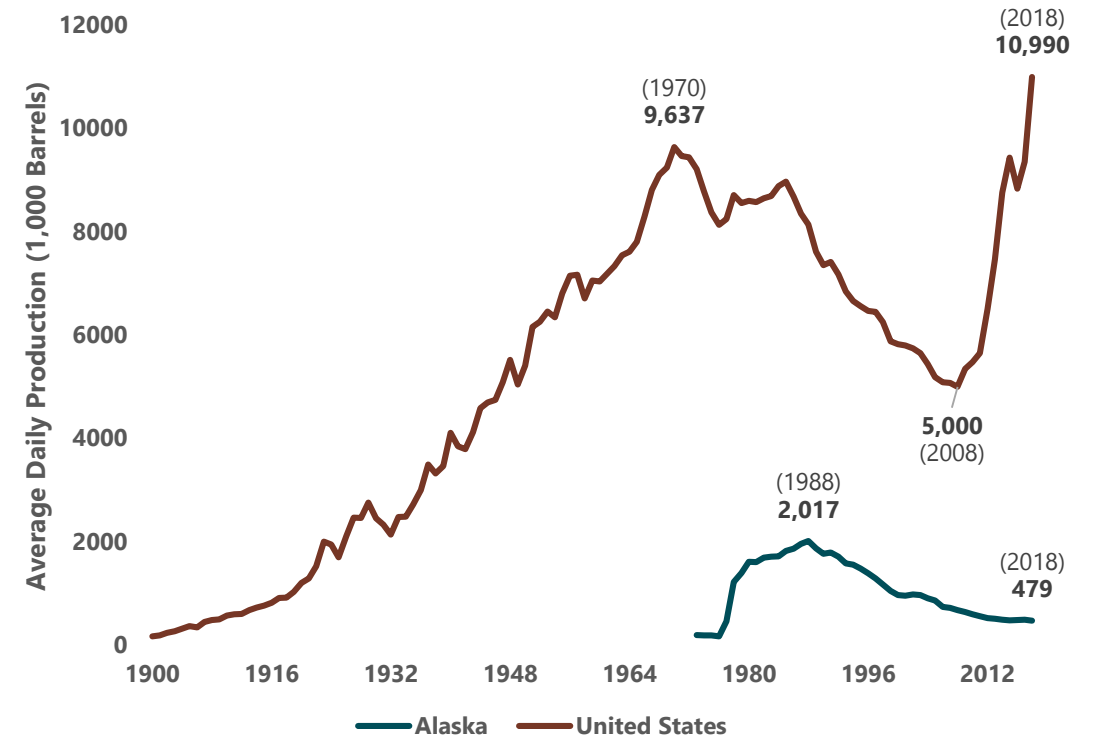
# Oil Prices, Production and Markets

Alaska Crude Oil Production\* and Alaska North Slope Oil Price, SFY2004-SFY2019



\* Include Cook Inlet and North Slope production, SFY2019 production is forecasted.  
Source: Alaska Department of Revenue.

U.S. and Alaska Average Daily Oil Production (1,000 barrels), 1900-2018

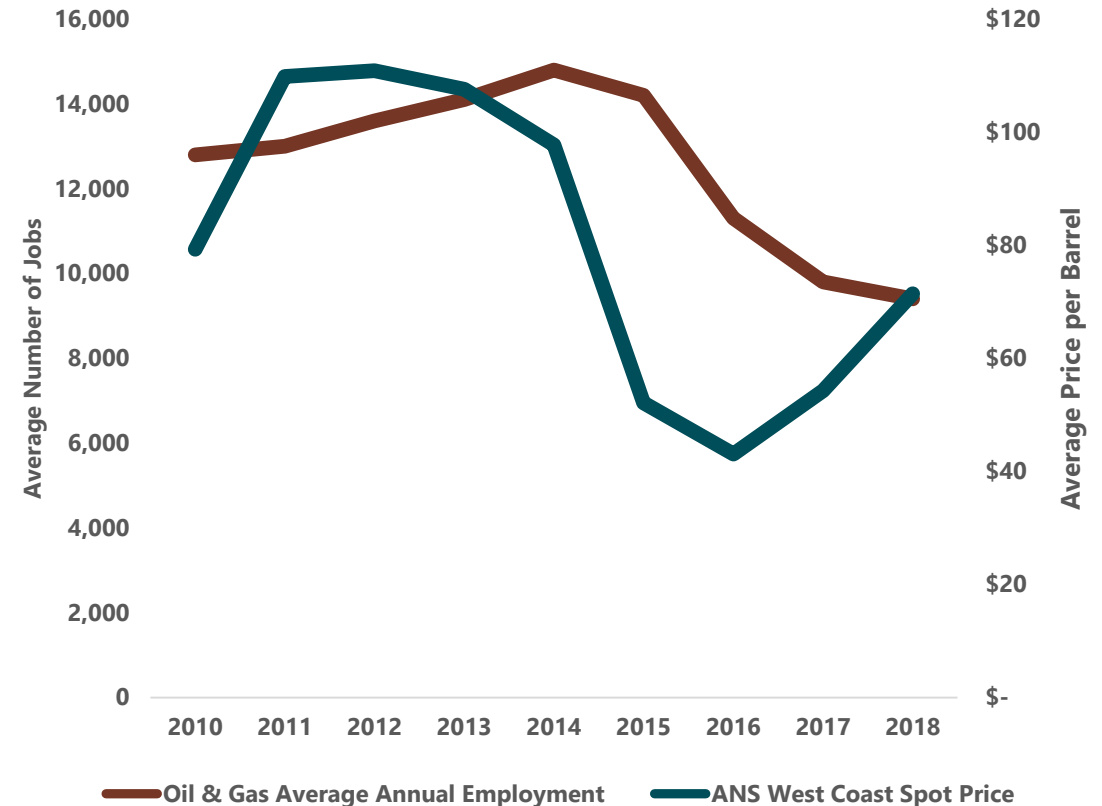


Source: United States Energy Information Agency.

# Background: Recession in Alaska

- Oil prices started sliding in late 2014, bottoming in early 2016, falling from over \$110/barrel to \$30/barrel
- Annual unrestricted petroleum revenue to SOA declined from \$4.8 billion to under \$0.9 billion
- Annual industry OPEX and CAPEX dropped from \$8.3 billion to \$5.4 billion
- Alaska lost 11,700 jobs between 2015 and 2018, including 4,800 oil & gas industry jobs
- Today, industry investment is on the rise, statewide job growth has returned.
- *Events of 2014 to 2018 clearly illustrate the critical role the oil & gas industry plays in Alaska's economy, and the importance of maintaining an attractive, competitive investment climate.*

**Average Annual Alaska Oil and Gas Sector Employment and ANS Price per Barrel, 2010-2018**

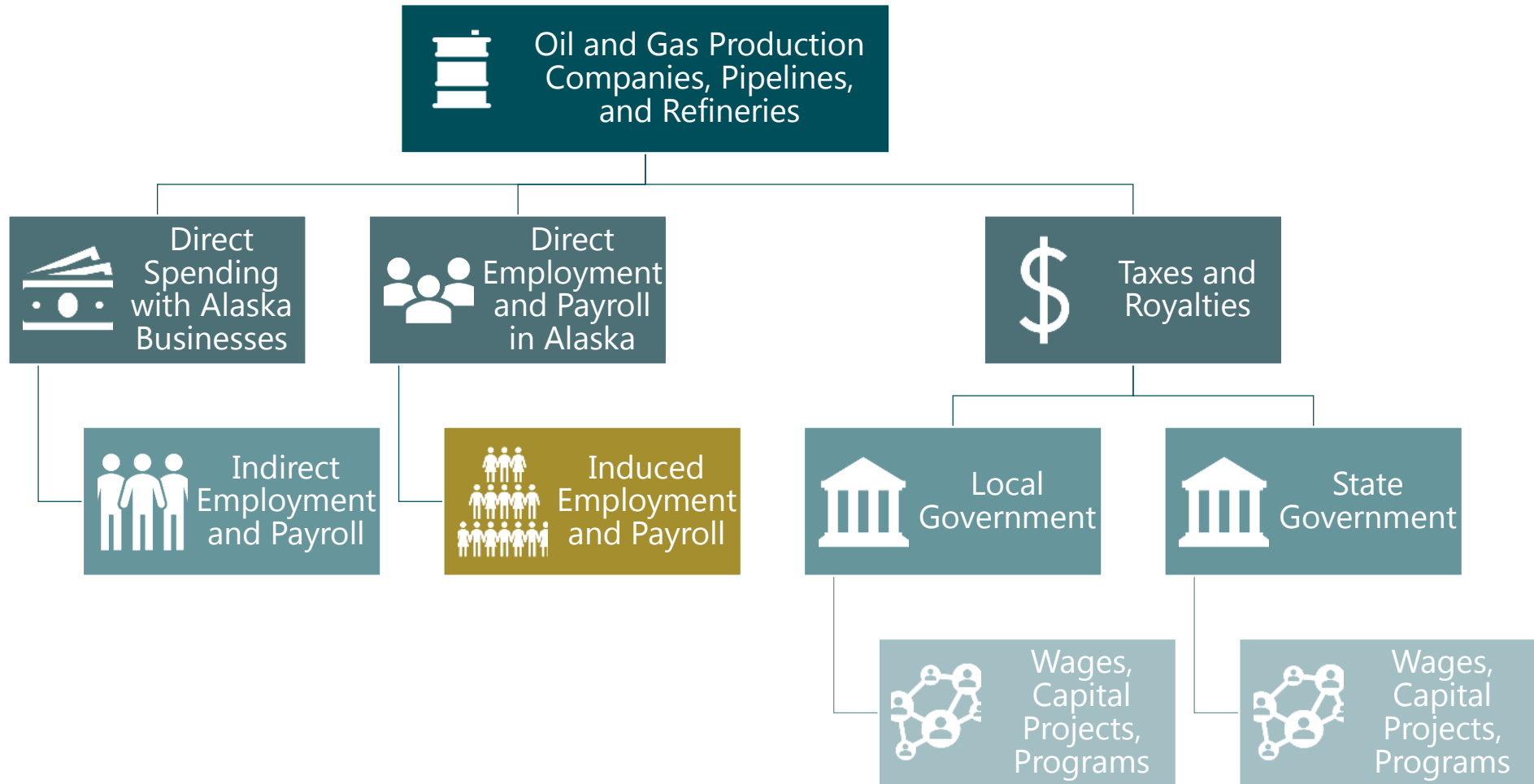


Source: Alaska Department of Revenue and Alaska Department of Labor and Workforce Development

# Key Statewide Findings



# How money flows through our economy...





# In 2018, Primary Companies...

## Employed Alaskans

- Employed **4,111 Alaska residents**, earning **\$983 million** in wages
- Represent **84% of “Primary Company” total employment** (4,906) and **83% of total wages** (\$1.2 billion)

## Spent with Alaska Vendors

- Spent **\$4.4 billion** with approximately **1,000 Alaska vendors**

## Supported Government

- Paid **\$3.15 billion** to state and local governments, including:
  - **\$2.7 billion** in taxes and royalties to state government
  - **\$449 million** in oil and gas property taxes to local governments
- Funded (through prior oil and gas activity) **\$2.1 billion** transferred from the Constitutional Budget Reserve Fund to bridge the gap between state revenue and spending

# Also in 2018, Primary Companies...

## Impacted Private Sector

- **4,111** Alaska resident jobs & **\$983 million** in wages in direct impacts
- **37,700** jobs and **\$2.2 billion** in wages, including oil and gas support services and all other indirect and induced impacts
- **41,800 total jobs** & **\$3.1 billion in total wages**

## Impacted Public Sector

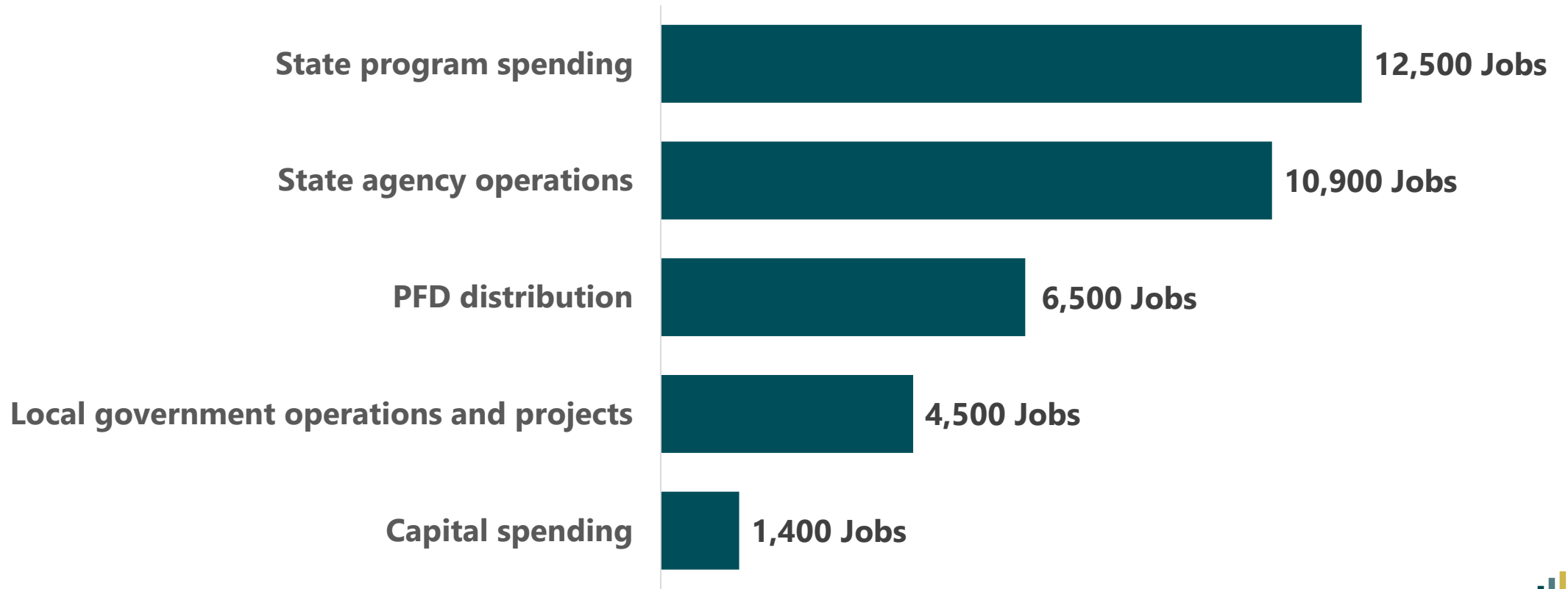
- Oil-related public sector payments (taxes, royalties, etc.) supported **35,800 jobs** & **\$1.7 billion** in total wages in Alaska

## Combined Economic Impacts

**77,600 jobs** & **\$4.8 billion** in wages in Alaska

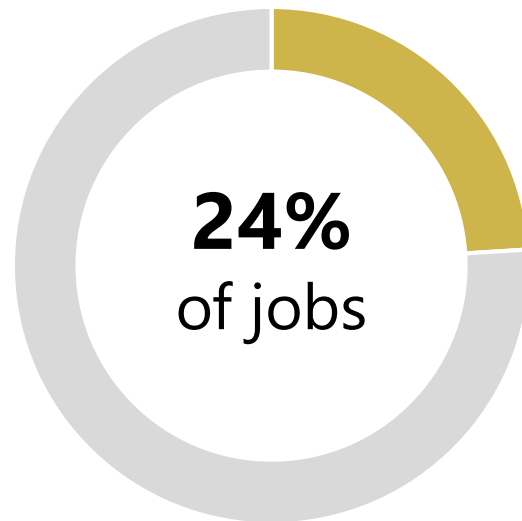
# State and Local Government Impacts

**Total: 35,800 jobs**

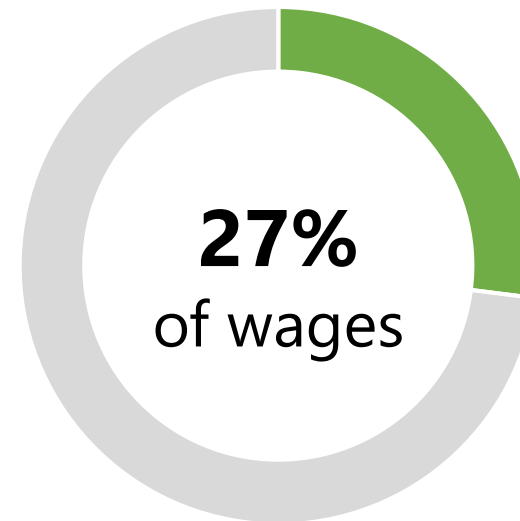


# The Big Picture

Primary Company spending and tax/royalty spending accounted for:



**77,600 total jobs**  
24% of all Alaska wage and salary jobs



**\$4.8 billion in wages**  
27% of all Alaska wages



# Key Local Impact Findings



# Local Job and Wage Impacts

## Anchorage

<b>25,761</b> Jobs	<b>\$1.9 Billion</b> in Wages
<b>14%</b> of total jobs	<b>16%</b> of total resident wages
<b>17%</b> of private sector jobs	<b>19%</b> of private sector wages

## Fairbanks

<b>2,980</b> Jobs	<b>\$192 Million</b> in Wages
<b>6%</b> of total jobs	<b>6%</b> of total wages
<b>10%</b> of private sector jobs	<b>12%</b> of private sector wages

# Local Job and Wage Impacts

## Kenai Peninsula Borough

**4,607**  
Jobs

**\$405 Million**  
in Wages

**19%**  
of total jobs

**23%**  
of total resident  
wages

**5 of top 10** KPB property taxpayers  
are oil and gas companies

## Mat-Su Borough

**3,024**  
Jobs

**\$281 Million**  
in Wages

**7%**  
of total Mat-Su  
resident jobs and wages

# Local Job and Wage Impacts

## North Slope Borough

**1,637**  
Jobs

**\$96 Million**  
Wages

**95% (\$377 million)**  
of all NSB property tax revenue

## Valdez

**631**  
Jobs

**\$67 Million**  
in Wages

**87% (\$44 million)**  
of all Valdez tax revenue



# In Summary



# The Big Takeaways

**Alaska's oil and gas industry remains the single most important economic engine in the state**

## 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, there are 8 other Alaska jobs associated with Primary Company spending

**1 ➡ 7 Jobs**  
For every Primary Company job, there are 7 other Alaska jobs associated from oil-related taxes and royalties paid to the state

## Generates Wages

**\$1 ➡ \$4**  
For every dollar earned by Primary Company employees, \$4 are generated in additional indirect and induced wages

**Want to know  
more?**

**Download our study at:**  
*[www.aoga.org](http://www.aoga.org)*

