AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Kara Moriarty, President/CEO

2017- 3
Contact: Kara Moriarty, (907) 272-1481or moriarty@aoga.org

AOGA: Majority members of House Resources moves HB 111 from committee, and creates one of the largest regulatory processes in state history

ANCHORAGE - March 14, 2017: Today, majority members of the House Resources Committee advanced a Committee Substitute (CS) for House Bill 111 (HB 111). The CS is ill-conceived policy which would further damage Alaska's economy by increasing taxes on the state's largest private sector industry, and creating one of the largest regulatory processes in state history.

A key provision of the adopted CS for HB 111 is a new process that would call on the Department of Natural Resources (DNR) to create new regulations and a new process for industry. The new regulations would require pre-approval of any oil and gas industry expenditure before it could qualify for a potential net operating loss deduction. Due to a variety of factors, such as oil price, the industry does not know at the time of the expenditure if they will suffer a net operating loss. So essentially, the new regulations will mean almost every penny of every proposed investment in the state's largest private-sector industry would need to be pre-approved by the State of Alaska before the expenditure could happen. This also means that expenditures will have to be pre-approved by DNR before they happen to qualify for a net operating loss deduction, and the same expenditures will be audited after they occur by the Department of Revenue in their auditing process to actually receive the net operating loss deduction.

There was no direct testimony or feedback from the DNR. The agency did issue an "indeterminate fiscal note" by predicting the impact "would be minimal to significant." There was no explanation of how this new process would work, how long it would take, and no discussion of how and who could appeal decisions by the Department.

"The State of Alaska's permitting process has been one of the bright spots in Alaska's competitiveness, but the CS for HB 111 would drastically change that," said Kara Moriarty, AOGA president and CEO. "This new process, yet to be defined or truly vetted, will add tremendous burden and uncertainty. It is unreasonable to expect every expenditure to be preapproved."

This additional component of HB 111 is just one of the many reasons the industry is opposed to the bill. The CS for HB 111 will push Alaska to the bottom of the competitive rung and will drive away new investment dollars forcing more job loss, decreasing oil production and deterring investment in Alaska's oil fields.

"House Resources Co-Chair, Rep. Tarr concluded the hearing by saying she wants more oil in the pipeline. So do we, but if that is the case she should have voted no as the CS for HB 111 will have the opposite effect," said Ms. Moriarty.

- More -

AOGA is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry in Alaska for the benefit of all Alaskans. More information about the organization can be found at www.aoga.org, on Facebook (AlaskaOilAndGas), or twitter (@AOGA).

# # #