



# House Finance Committee

◦ Kara Moriarty –President/CEO

April 1, 2016

OIL & GAS:  
FUELING  
ALASKA'S  
ECONOMY

**AOGA**  
Alaska Oil and Gas Association

# Oil & Gas Drives Alaska's Economy

- 1/3 all Alaska jobs (110,000 jobs) attributed to industry
- Every direct job = 20 more jobs
- Every dollar in wage = \$8 more
- 85% of State's Unrestricted General Fund since statehood
  - *No other industry even comes close*

# Questions to ask when considering policy change

- *What effect will the policy have on overall oil and gas production in the state?*
- *Will the policy make Alaska more or less competitive on a global scale?*
- *Will the policy provide stability to the industry and the State of Alaska?*
- *Will the policy provide predictability to companies looking to make huge investment decisions?*

**More Production? Competitive? Stable? Predictable?**

# Alaska Oil and Gas Tax Policy Changed 5 times in a decade

- February 2005 – March 31, 2006: Aggregated ELF – Decision that altered gross production tax
- April 1, 2006 – July 2007: Petroleum Production Tax (PPT)
- July 2007 – 2013: Alaska's Clear and Equitable Share (ACES) \*
- 2010: Cook Inlet Recovery Act
- 2014 – present: SB 21 & SB 138
- 2016: HB 247/SB 130 – Governor Walker's Proposal

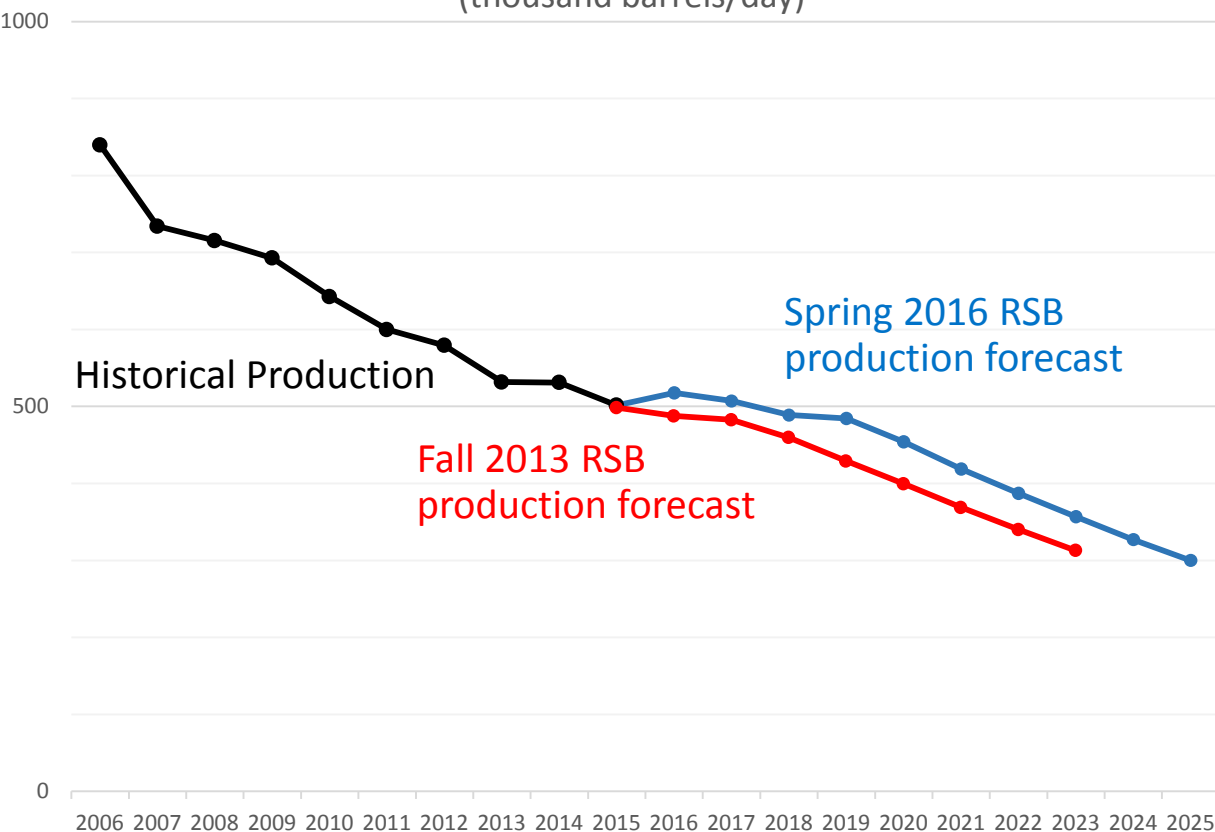
\* Some provisions of ACES made retroactive to enactment of PPT, others to 1/1/2007

*No other region considers oil/gas changes more than Alaska.*

# *If DOR forecasts hold for FY 2016, production will increase for the first time since 2002*

## TAPS Throughput Historical & Forecasted

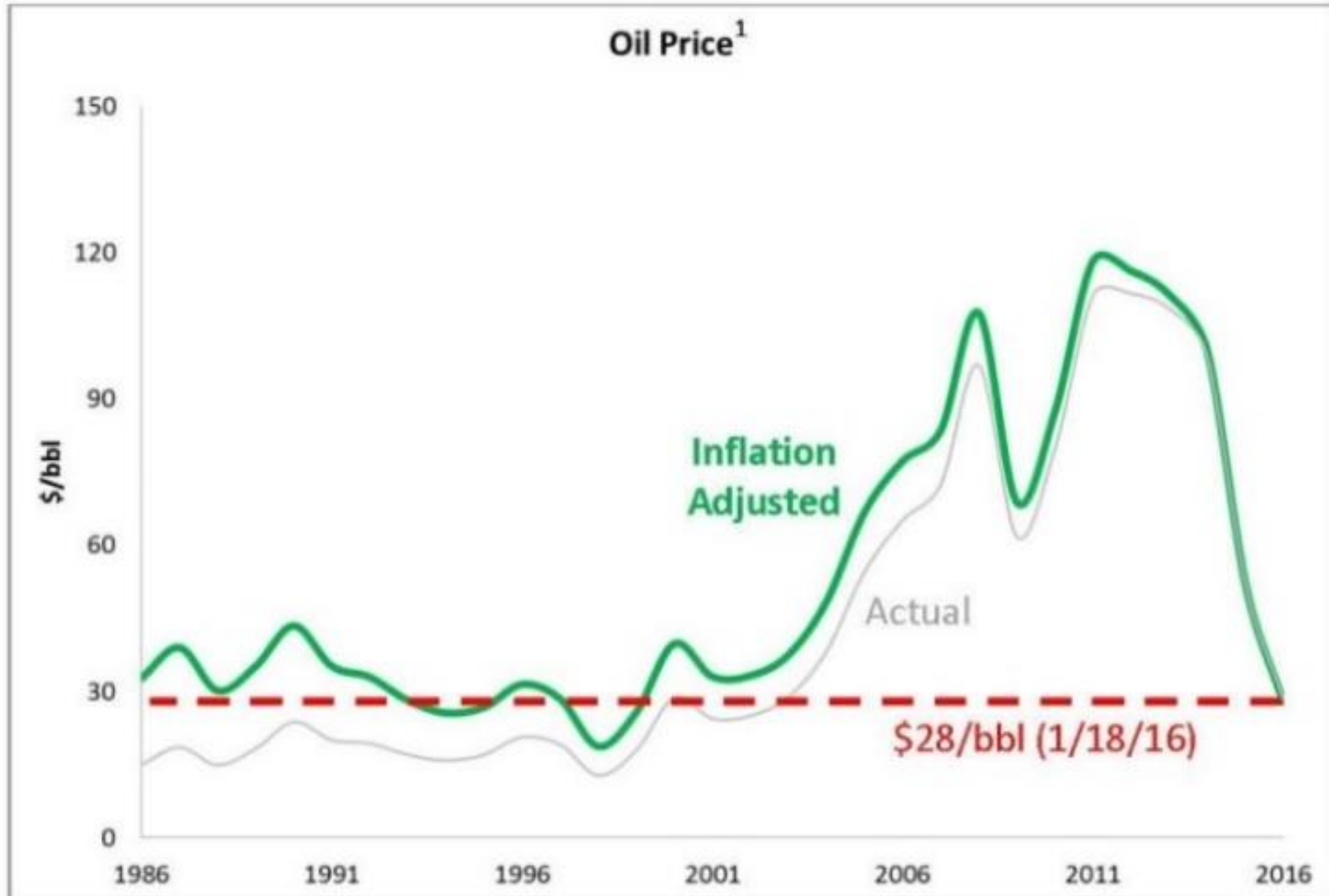
(thousand barrels/day)



Year	Fall 2013 Forecast	Spring 2016 Forecast
2016	487.6	517.7
2017	482.7	507.1
2018	459.5	488.8
2019	429.1	484.4
2020	399.6	454.1
2021	368.8	418.6
2022	340.1	387.1
2023	312.9	356.8
2024		327.0
2025		300.0

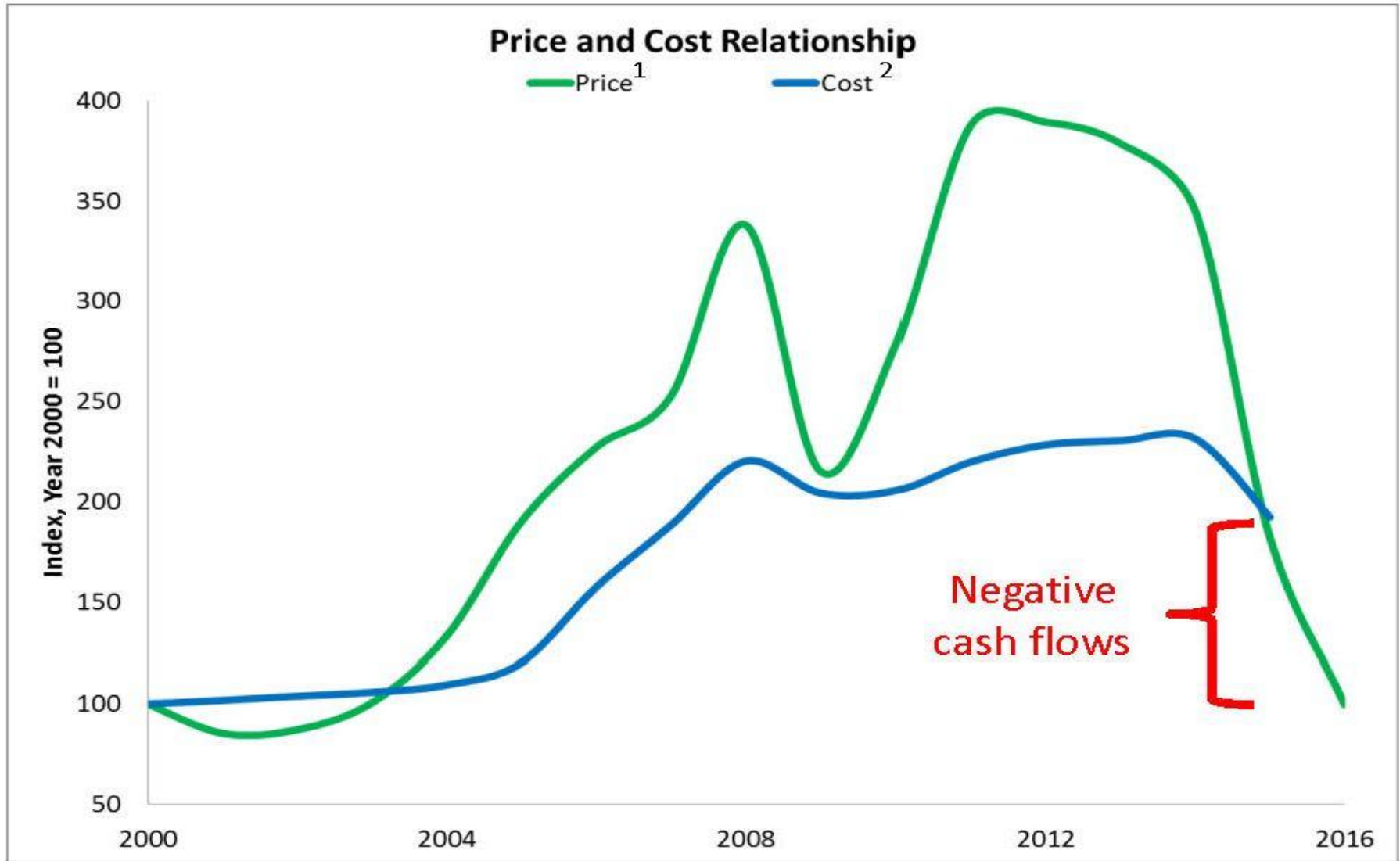
Source: DOR Spring 2016 RSB

# Unprecedented Low Oil Price



Source: Cost: Upstream Capital Cost Index (IHS/CERA)

# Companies Have Negative Cash Flow



# At current prices, industry has *negative cash flow before tax*

<b>Estimate Average March 2016 ANS Price</b>	<b>\$38.11</b>
Transportation Costs	(\$10.51)
Total Operating Expenditures	(\$19.59)
Total Capital Expenditures	(\$20.07)
<b>Total Average Cost Per Barrel Before Tax</b>	<b>(\$50.17)</b>

Source: DOR Spring 2016 Forecast, March 2016

**More Production? Competitive? Stable? Predictable?**



# Administration Goal is to Raise Money

*“The motivation to go down this path to look at credits was the budget. The motivation was not to go in and redefine oil and gas taxes in the State of Alaska.”*

DOR Commissioner Hoffbeck – 2/10/16

*“It is a tax increase. I don’t think we are attempting to disguise that.”*

Tax Director Alper – 2/12/16

More Production? Competitive? Stable? Predictable?

# Specific Concerns with CSHB 247

- *Interest rates increase - compounding interest (Sec. 6)*
- *Outstanding liability set limits on credits (Sec. 7-9)*
- *Net Operating Loss tax credits lose value for new oil (Sec. 12)*
- *Key Cook Inlet credits eliminated (Sec. 13-15 & Sec. 29)*
- *New work group creates instability (Sec. 31)*
- *Retroactivity of Regulations concerning (Sec. 36)*

**More Production? Competitive? Stable? Predictable?**

# Any change will have a negative impact on industry

***“OIL PATCH GOING THROUGH ‘PURE HELL’, BUT DOESN’T  
LOOK TO D.C. FOR SALVATION.” – Politico, 2/26/16***

"Look at the number of layoffs we've had in this industry. If that had happened in Detroit, think of the hue and cry in Washington,"  
American Petroleum Institute CEO Jack Gerard

**AOGA is not asking for assistance from the state  
of Alaska in this down turn.**

## Do No Harm

**More Production? Competitive? Stable? Predictable?**