



AOGA

OIL & GAS:

**FUELING
ALASKA'S
ECONOMY**

**House Resources
Committee**
HCS CSSB21 (RES)

April 9, 2013

Kara Moriarty, Executive Director

AOGA Member Companies

PIONEER
NATURAL RESOURCES ALASKA



Apache



Hilcorp Alaska, LLC

ExxonMobil



TESORO



bp

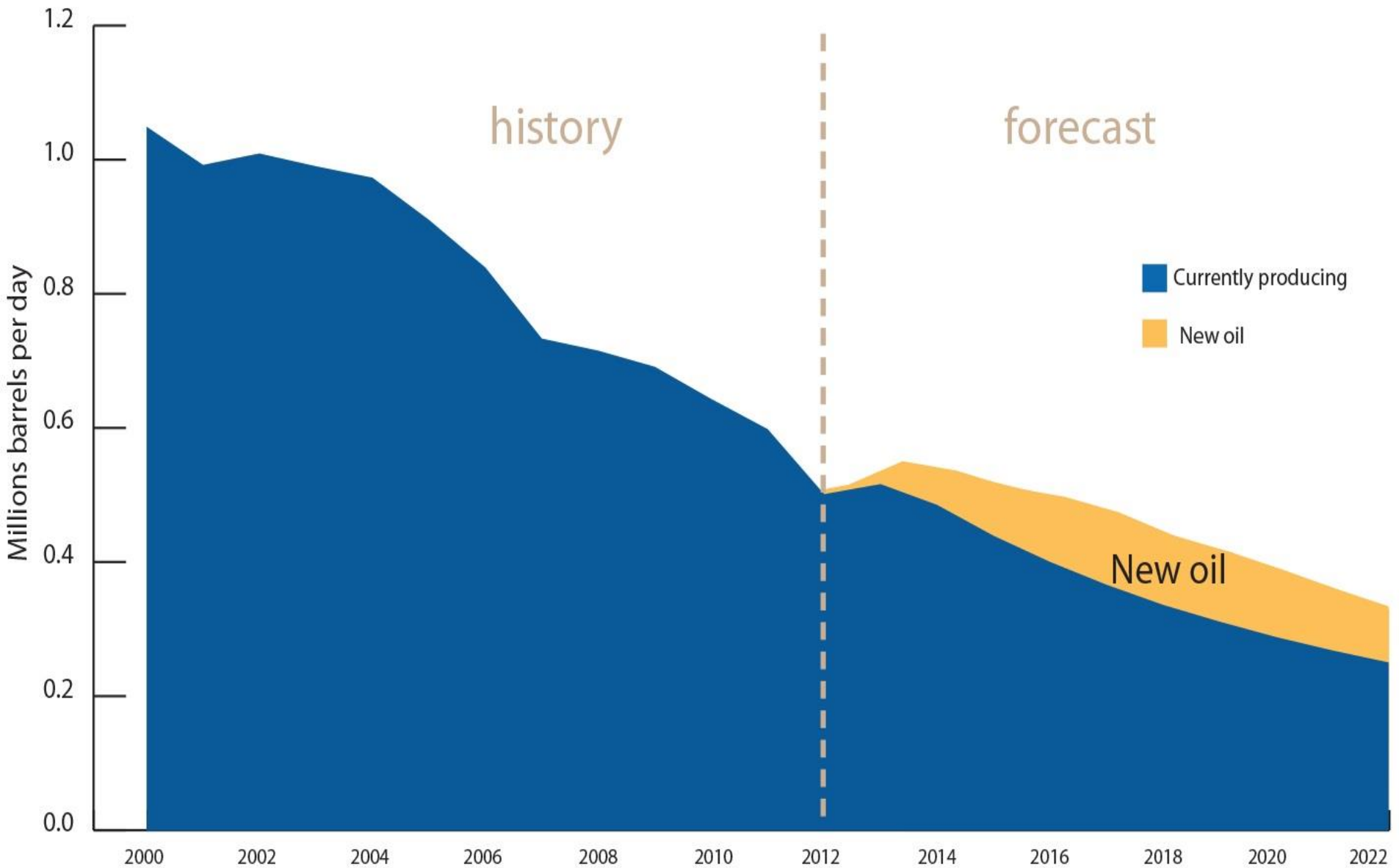


petroleum



Alaska North Slope Production

FY 2000-2012 and Forecasted FY 2013-2022



HCS CSSB21 (RES) Component: Progressivity

- *AOGA supports the elimination of ACES progressivity*
 - 1) Progressivity under ACES takes away too large a share.
 - 2) Progressivity guts the upside potential for Alaska investments.
 - 3) Progressivity makes it difficult to analyze and quantify the tax effect.

HCS CSSB21 (RES) Component: Increasing the Base Tax Rate

- *AOGA does not endorse increasing the base tax rate to 35%*
 - 1) A higher tax rate would be a step in the wrong direction.
 - 2) Increasing the base tax rate is contrary to the Governor's second principle. It would not encourage new production.
 - 3) The lower the tax rate, the more attractive Alaska's system will be to investors.

HCS CSSB21 (RES) Component: Tax Credits

1) AOGA does not support the repeal of Qualified Capital Expenditure Credits (QCE) if it was the only change, but CS offers other incentives that tend to offset this loss.

2) AOGA supports the new credits for new production.

- *Gross Revenue Reduction for “non-legacy” fields*
- *Sliding Scale for legacy fields*

HCS CSSB21 (RES) Component: Tax Credits

3) AOGA supports the extension of the small producer tax credit.

4) AOGA supports maintaining the ability to utilize the loss carry-forward annual loss credit

HCS CSSB21 (RES) Components: Statutory Interest & Joint Interest Billings

AOGA supports change in statutory interest

- Lowers risk/makes Alaska more competitive

AOGA supports the use of Joint Interest Billings as a starting point

- Using Joint Interest Billings as the initial source for lease expenditures is more efficient and provides consistency of what are expenses are allowable for deduction.

HCS CSSB21 (RES)

Current bill is a significant improvement over ACES.

- Repeals high ACES progressivity
- Maintains key credit provisions while creating incentives for new production from legacy & non-legacy fields
- Reforms interest rate for tax underpayments
- Restores ability to administer the tax more effectively

Principal Downside: Higher Base Tax Rate