**OIL: Keep your eye on the prize!**

**PART 1: How much is enough?**

**How much profit do the oil companies have to make in order to reinvest in Alaska? Apparently, more than the $5 billion per year that they already reap!**

**On March 15, 2012, Alaska North Slope, West Coast crude (ANS WC) was $120.86 per barrel and throughput to TAPS was 590,829 barrels per day (bbl/day). About 15% of that flow is royalty oil and industry expenses of about $30 per barrel are not taxed. Assuming the total government take is 70% - the oil industry profit is some $4.997 billion per year!\*\*\* That’s profit after deducting expenses. *$5 billion per year - isn’t that enough?***

**Oil began to flow in 1977 and over the next 35 years averaged about 1.28 million bbl/day. Assuming the average industry profit was a modest $10 per barrel (bbl), then the cumulative profit would have been about $124 billion. How much of that did they reinvest in Alaska? *Not nearly as much as they should have.* We’re supposed to be business partners, folks. It seems to be a one-way business as they took their profit and spent it - elsewhere. Why reward them for doing that?**

**You want to support Governor Parnell’s HB110 and give the oil industry about $10 billion of tax reductions for their very loose “promise” to invest $5 billion? The Big 3 (BP, Exxon, and Conoco-Phillips) have testified that their “promise” may not bear fruit for some 5-10 years. And, they present no written contracts or guarantees. Not a wise business venture by the State of Alaska! HB110 is absolutely ridiculous – unless you are the oil industry or an Alaskan business. Of course the oil industry would like to get a $10 billion tax break. And, of course, business would support the oil industry as they have a self-serving interest to make a profit.**

**The Alaska Constitution says the state shall manage the resources of Alaska for the maximum benefit of the people. HB110 does not accomplish that.**

**PART 2: ACES and the middle ground!**

**The issues related to HB110 and SB192E include: throughput to TAPS of 600,000 bbl/day is declining; the state operating budget is increasing annually; the revenue to sustain the state budget is sufficient with 600,000 bbl/day of oil but only because ANS WC is in excess of $100/bbl; should the price of oil drop along with decreasing throughput to TAPS, the state might be forced to reduce its annual budget; there is a need to modify the tax structure to result in re-investment of industry profits.**

**Highest priority of these issues is increasing throughput to TAPS. HB110 is way too much of a gamble with our money and it won’t necessarily result in increased production. On the other hand, slight adjustments to ACES (Alaska’s Clear and Equitable Share) can accomplish what the state constitution requires.**

**SB192E modifies the ACES tax system by reducing the progressivity factor from 0.4%/$ to 0.35%/$ that is initiated when the oil reaches about $60/bbl. This could result in hundreds of millions of additional dollars of profits per year for industry. SB192E also rewards industry by allowing a $10/bbl tax deduction for a net production increase. This is a good start to entice reinvestment of their $5 billion of profit in our state. Alaska already rewards industry with very generous capital tax credits for development and exploration. SB192E will reward industry for current production and increased production – but not for a “loose promise.”**

**Industry and businesses are lobbying for HB110 – a proposal that does not manage the resources of Alaska for the maximum benefit of the people. Considerable resistance exists within the public-at-large but they don’t have a consolidated voice to make their opposition known.**

**Keep your eye on the prize by rejecting HB110. We should not give too much to reach middle ground on taxes. Alaskans – protest now or the political process may not do what the constitution mandates. Contact your legislators – now.**

**\*\*\* ($120.86 - $30.00) = $90.86/bbl x (1.00 – 0.70) x 590,829 bbl/day x (1.00 – 0.15) x 365 days/year = $4.997 billion/year profit**

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