



SB 3001 Overview



*Presentation to the
Senate Resources Committee
April 19, 2012*



HB 3001 / SB 3001

Goals



- To incentivize production on the North Slope, both within and outside existing units
- To generate additional jobs and activity for the Alaska economy
- To build on work already undertaken in legislative committees during the regular session
- To maintain existing structure of ACES, with slight modifications
- To maintain alignment of working interest owners by not tying incentives to individual companies



HB 3001 / SB 3001

Key Provisions



- 30% gross revenue exclusion for calculating base tax and progressive tax for qualifying new North Slope fields
- 40% gross revenue exclusion for calculating progressive tax for other North Slope fields
- Maximum tax rate changed from 75% to 60%
- Extends 40% well lease expenditure credit to North Slope
- Allows capital credits to be redeemed in the year earned (currently must be spread over 2 years)



HB 3001 / SB 3001

Hybrid of Other Tax Proposals

- Gross revenue exclusion introduced in Senate Finance Committee during regular session as a way to incentivize production
- Production tax cap of 60% introduced in Senate Resources Committee during regular session as a way to limit state take at high oil prices
- Well lease expenditure credit introduced and enacted in 2010 through Cook Inlet Recovery Act (HB 280)



How the Gross Revenue Exclusion Works

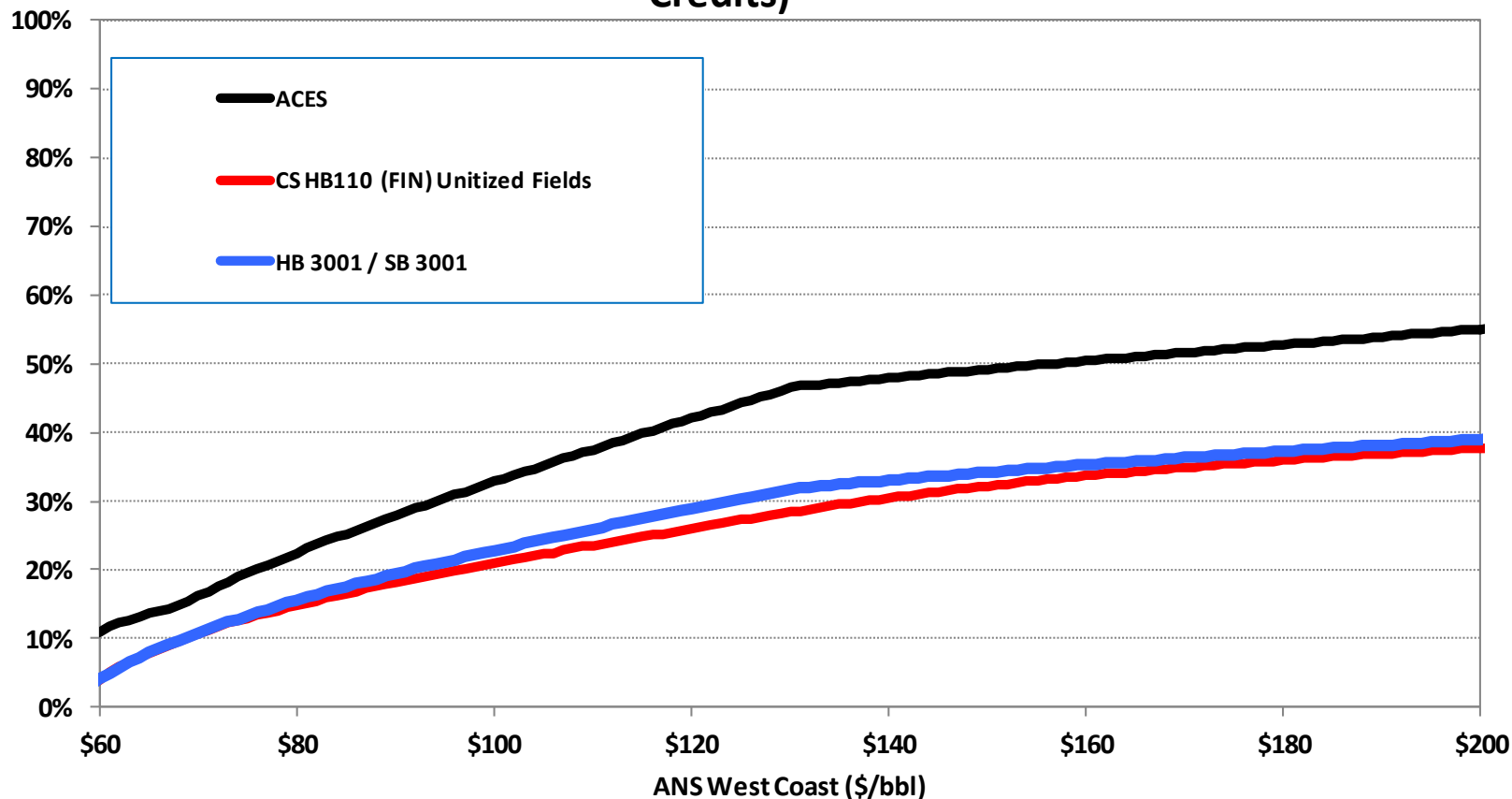


FY 2013 Production Tax Estimates - for ILLUSTRATION ONLY - Assumes HB/SB 3001 in place for all of FY13				
Column A	B	C	D	E
	Price	Barrels	ACES (\$M)	HB/SB 3001 Existing (\$M)
1 Avg ANS Oil Price (\$/bbl) & Daily Production (bbls)	\$109.47	555,227	\$60.8	\$60.8
2 Sales value total barrels		202,657,895	\$22,185.1	\$22,185.1
3				
4 Downstream (Transportation) Costs (\$/bbl)				
5 ANS Marine Transportation	-\$2.70			
6 TAPS Tariff	-\$4.96			
7 Other	-\$0.91			
8 Total Transportation Costs	-\$8.56	202,657,895	(\$1,735.3)	(\$1,735.3)
9				
10 Wellhead value total barrels	\$100.91		\$20,449.9	\$20,449.9
11 Royalty, Federal and other barrels		-30,158,081	(\$3,043.2)	(\$3,043.2)
12 Gross value at Point of Production (GVPP)		172,499,814	\$17,406.7	\$17,406.7
13				
14 Deductible Lease Expenditures				
15 Deductible Operating Expenditures	-\$13.75		(\$2,372.5)	(\$2,372.5)
16 Deductible Capital Expenditures	-\$15.36		(\$2,648.9)	(\$2,648.9)
17 Total Lease Expenditures	-\$29.11	172,499,814	(\$5,021.5)	(\$5,021.5)
18				
19 Production Tax				
20 Production Tax Value (PTV)			\$12,385.2	\$12,385.2
21 Base Tax (25%*PTV)			\$3,096.3	\$3,096.3
22 Production Tax Value per barrel	\$71.80			
23 Progressive Tax Rate	16.7%			
24 Gross Revenue Exclusion (40% * GVPP)			N/A	(\$6,962.7)
25 Production Tax Value or Adjusted Production Tax Value			\$12,385.2	\$5,422.6
26 Progressive Tax (Progressive Tax Rate * PTV or APTV)			\$2,070.7	\$906.6
27 Total Tax before credits			\$5,167.0	\$4,002.9
28 DELTA - Total Tax before credits				(\$1,164.1)
29				
30 Credits (estimated)			(\$450.0)	(\$750.0)
31 Estimated Total Tax after credits			\$4,717.0	\$3,252.9
32 DELTA - Total Tax after credits				(\$1,464.1)
See Page 104 of Fall 2011 Revenue Sources Book regarding the limitations of this presentation format.				



Effective production tax rates

Effective Production Tax Rate for existing production (Post-Credits)

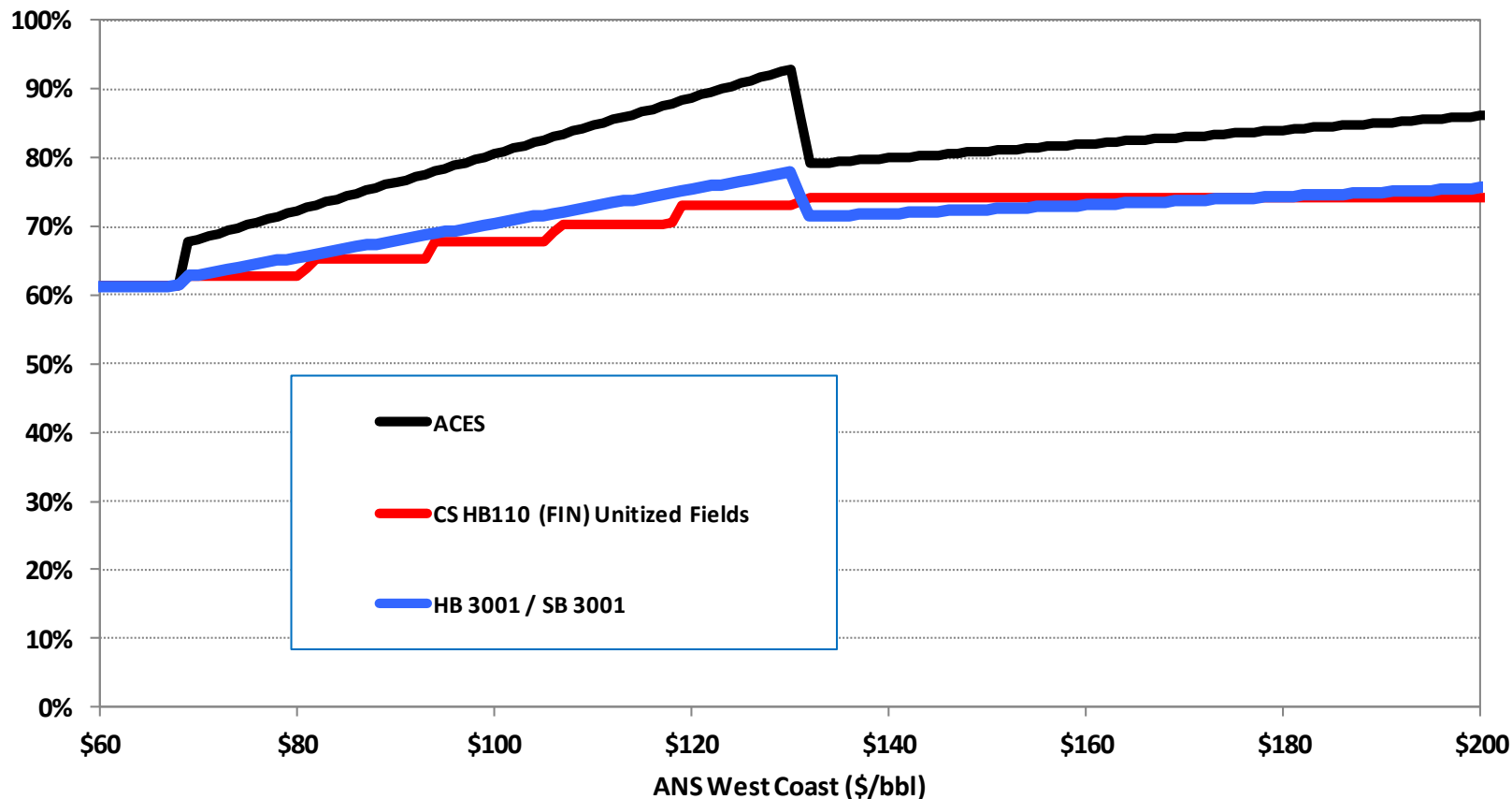


Assumes FY 2013 Transport costs of \$8.56/ bbl, Opex of \$13.75 per taxable barrel, and Capex of \$15.36 per taxable bbl.



Marginal Government Take

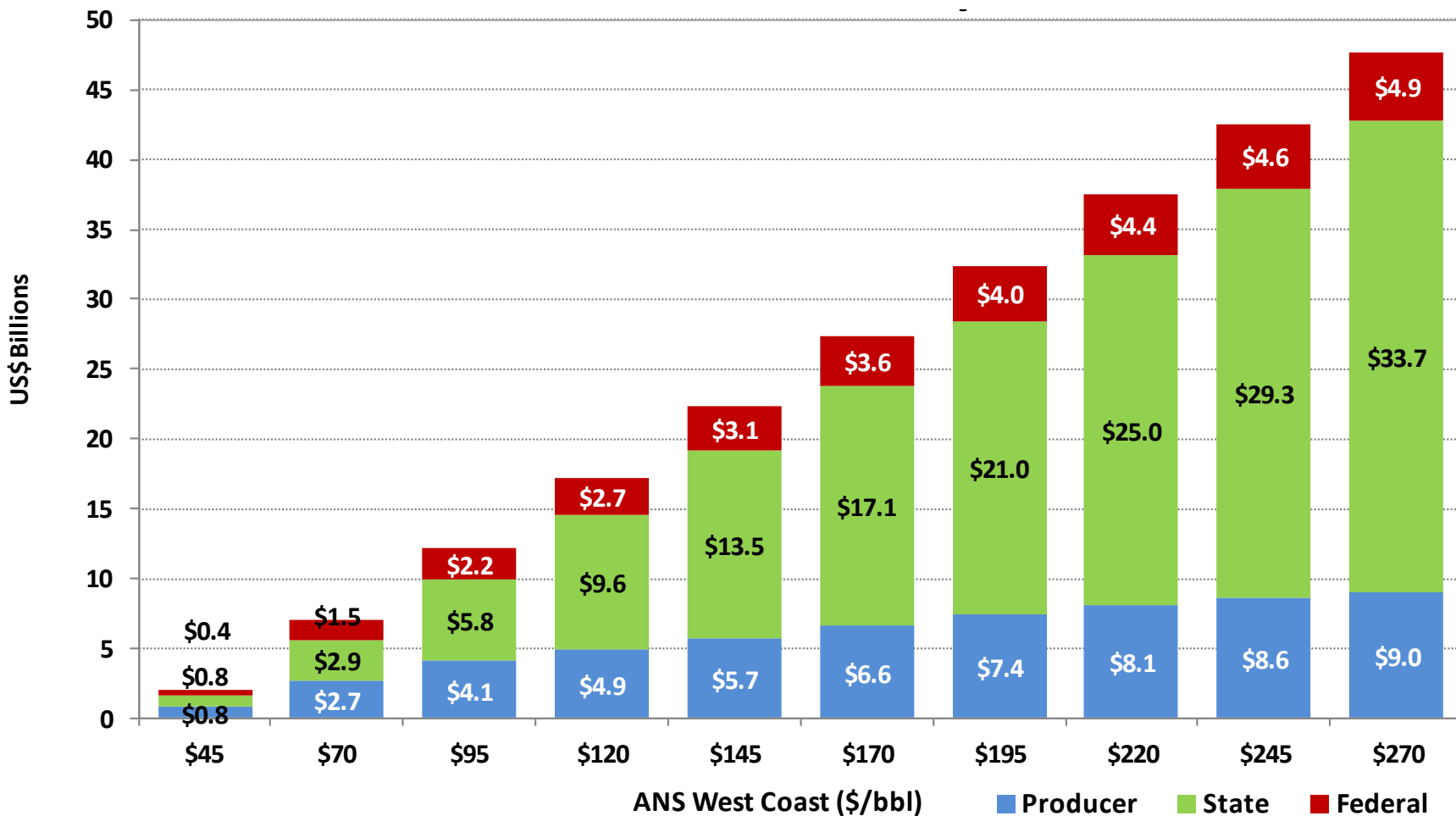
Marginal Government Take for existing production



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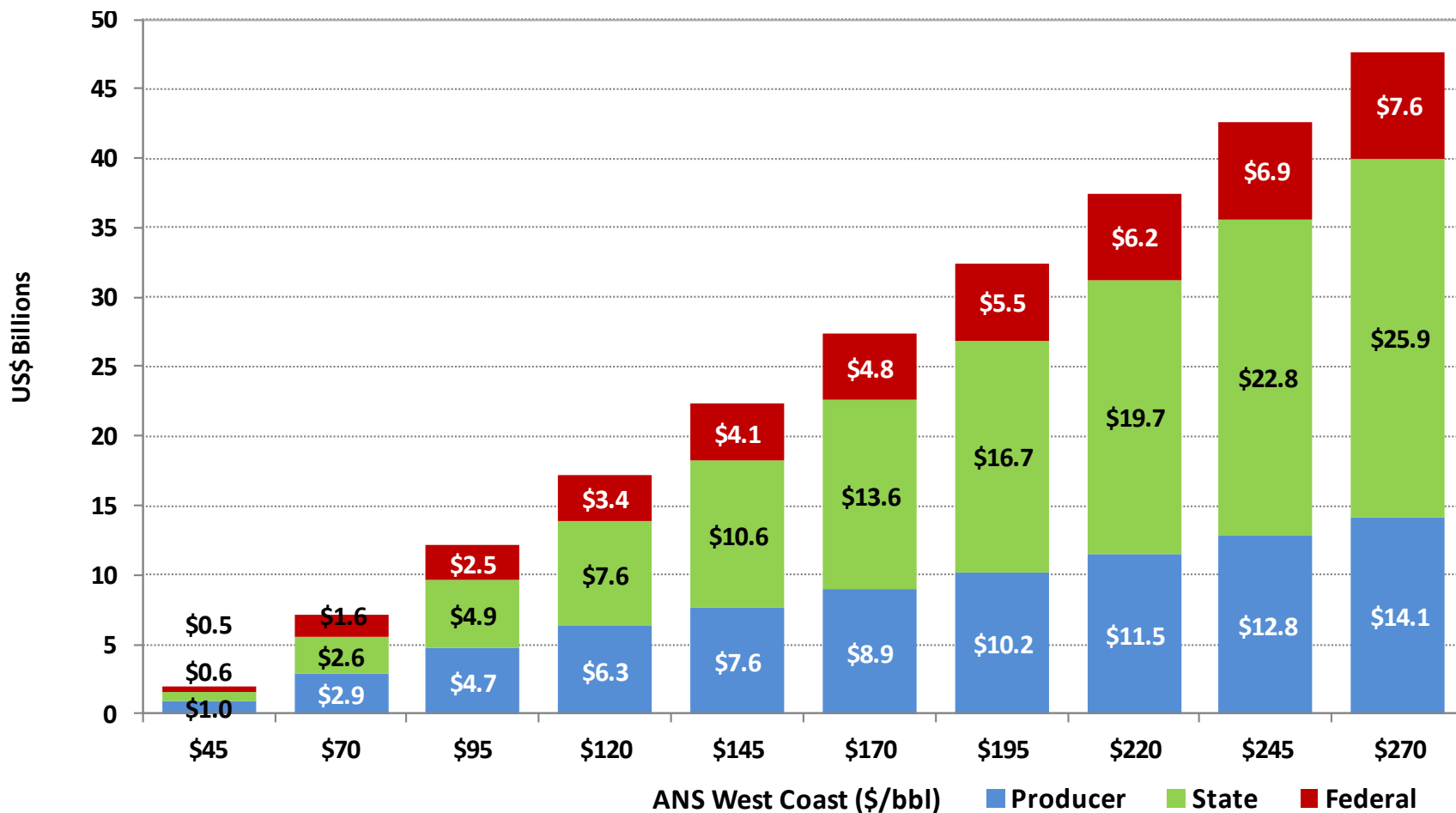
Absolute Profit – ACES



Assumes FY 2013 Transport costs of \$8.56/ bbl, Opex of \$13.75 per taxable barrel, and Capex of \$15.36 per taxable bbl.



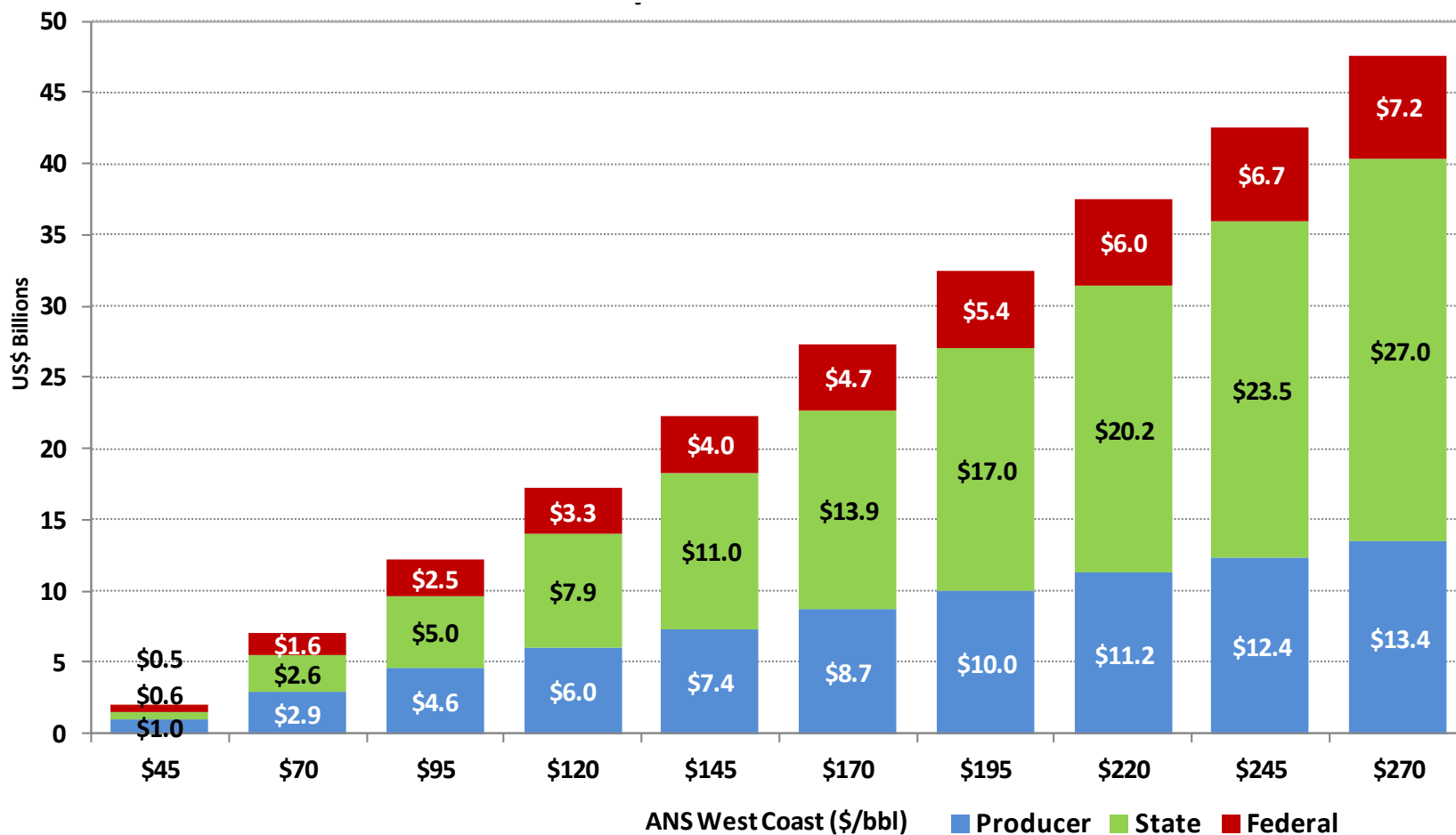
Absolute Profit – CSHB 110 (FIN)



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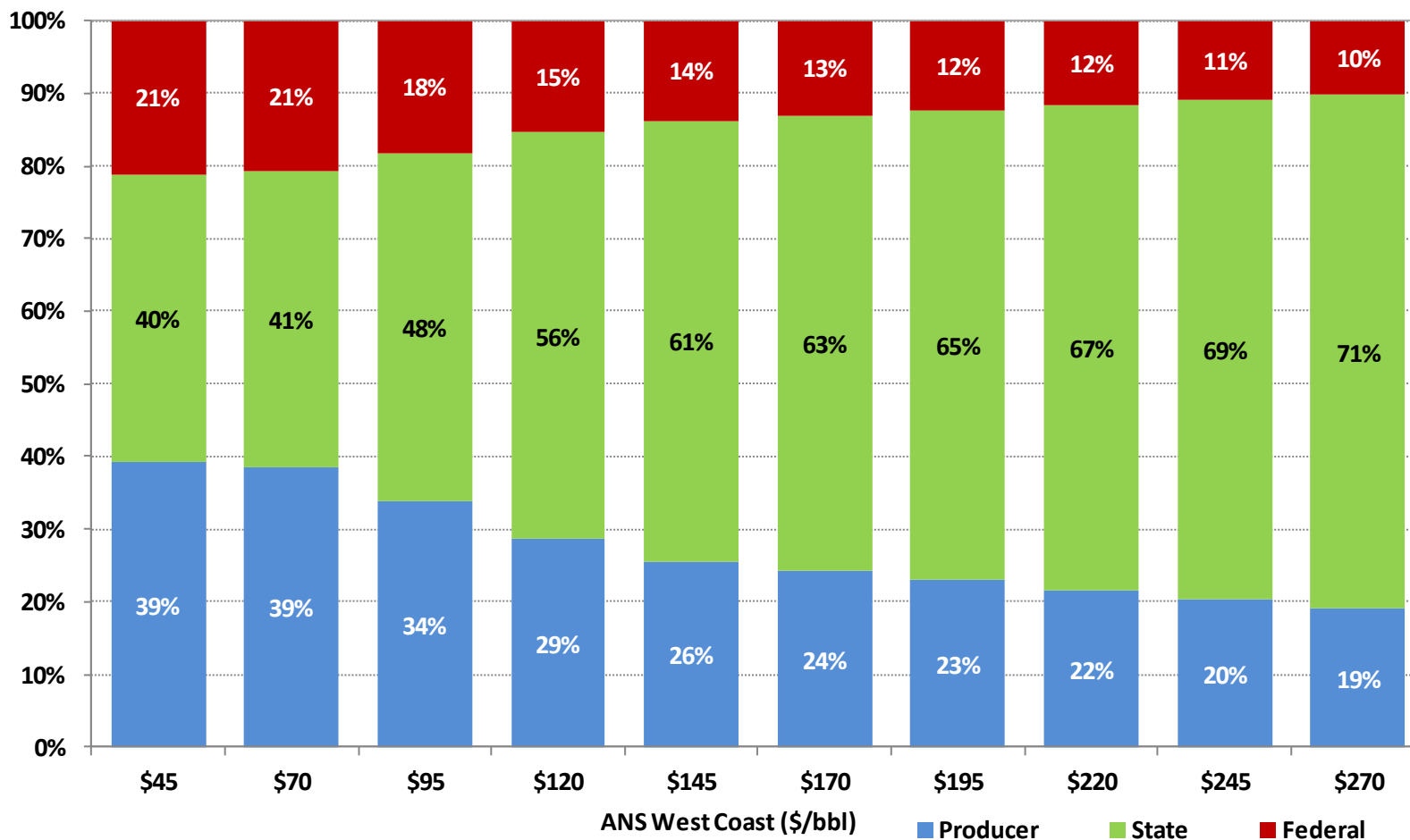
Absolute Profit – HB 3001 / SB 3001



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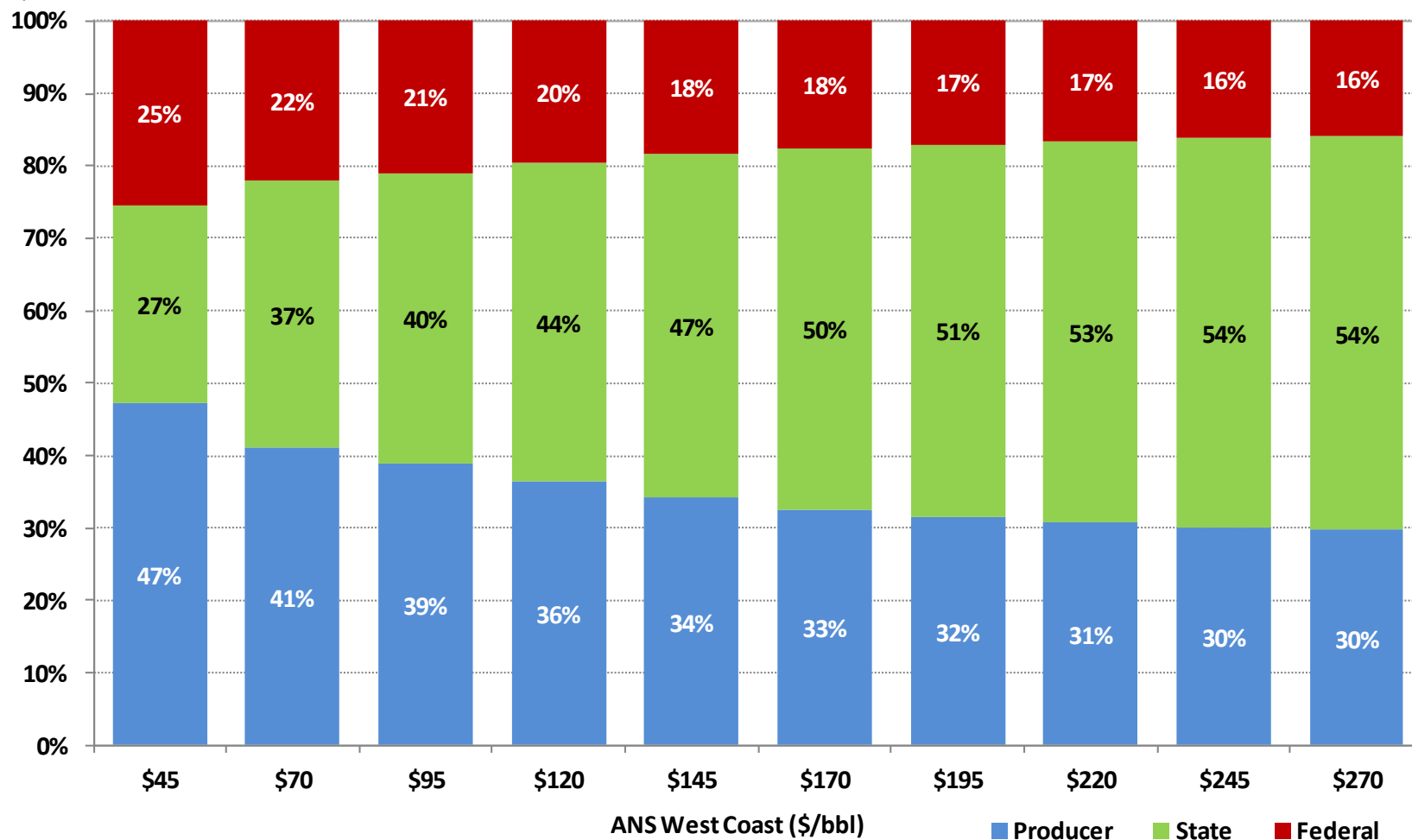
Share of Profit – ACES



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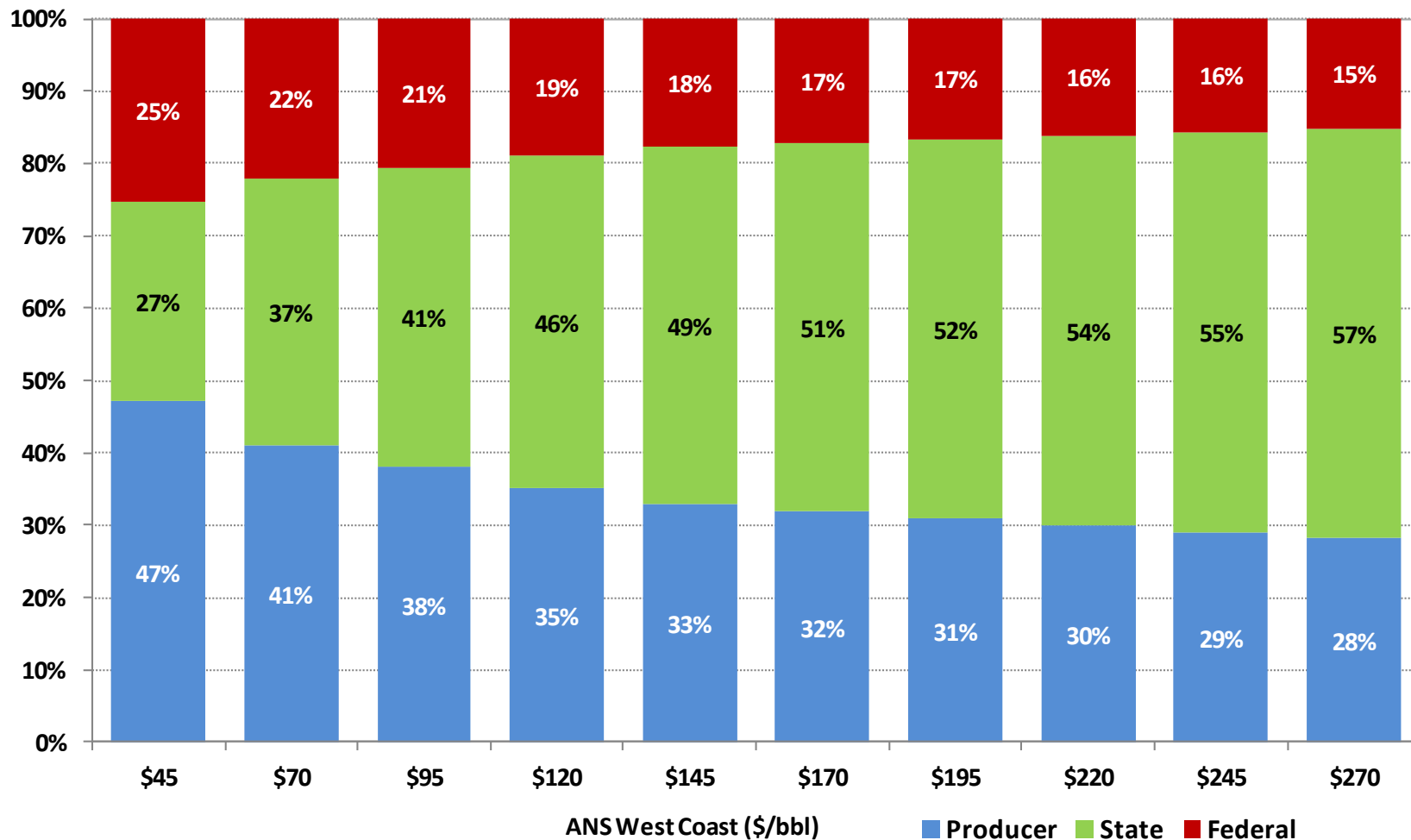
Share of Profit – CSHB 110 (FIN)



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Share of Profit – HB 3001 / SB 3001



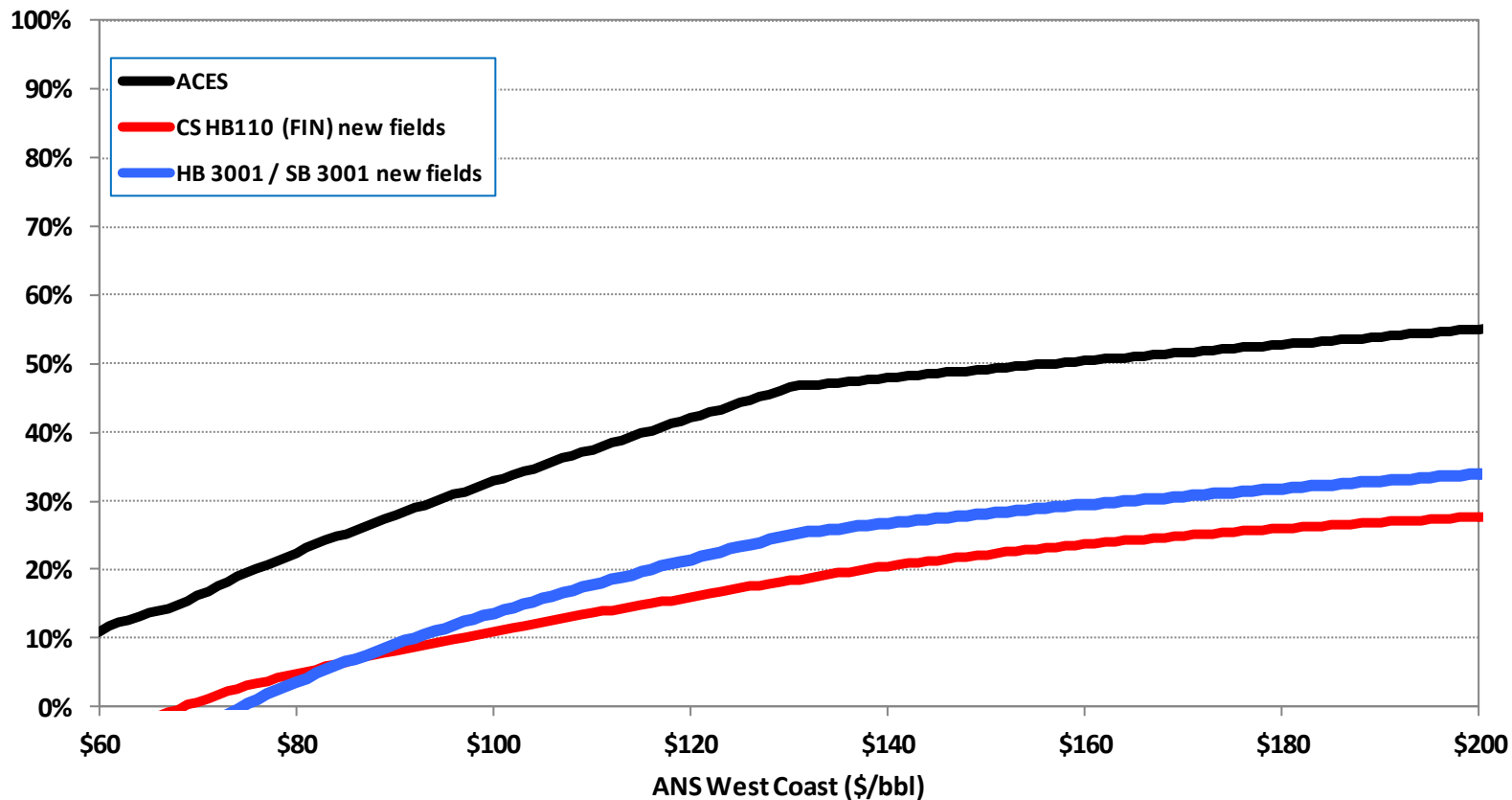
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Effective production tax rates – new fields



Effective Production Tax Rate for new fields (Post-Credits)

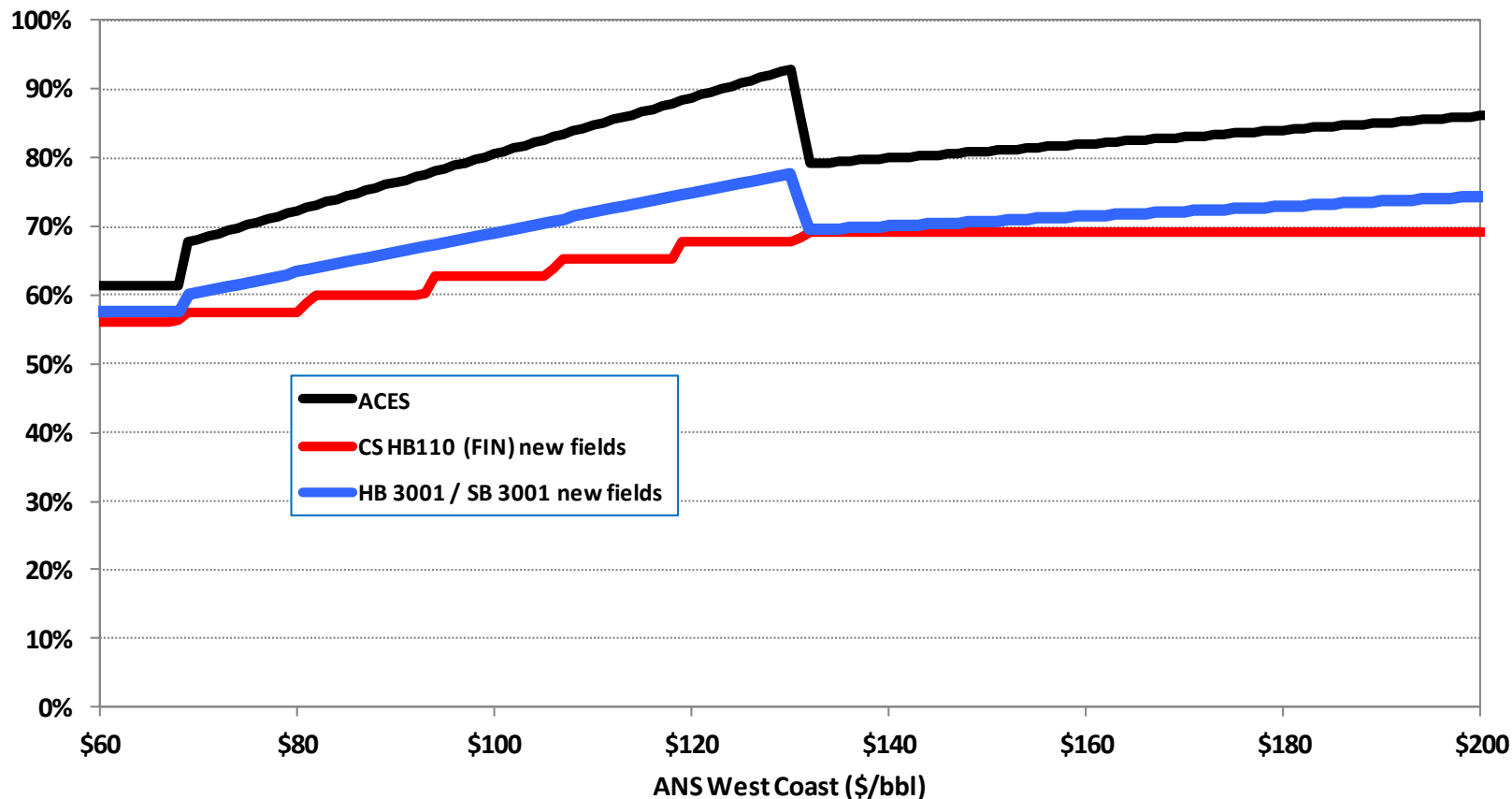


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Marginal Government Take – new fields

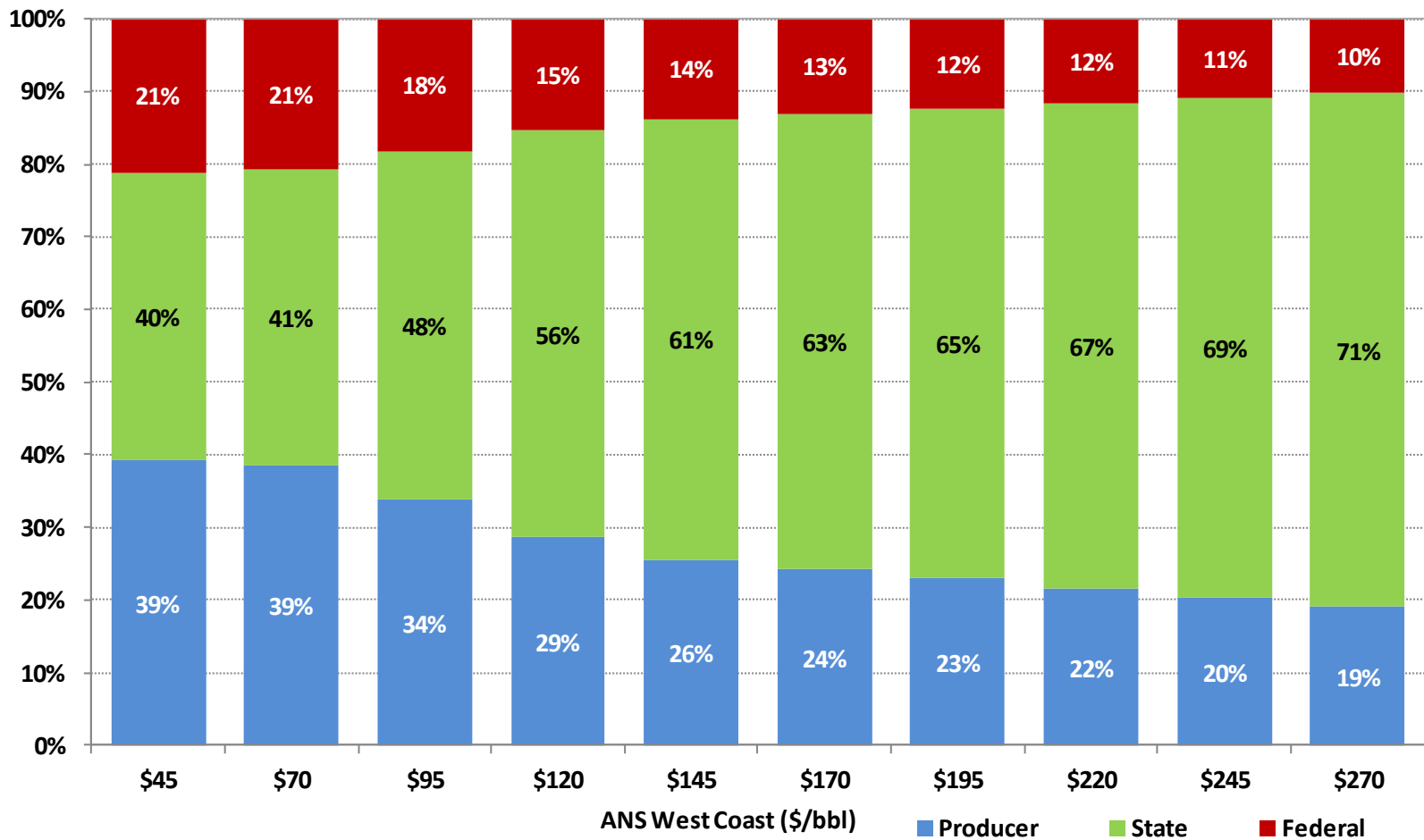
Marginal Government Take for new fields



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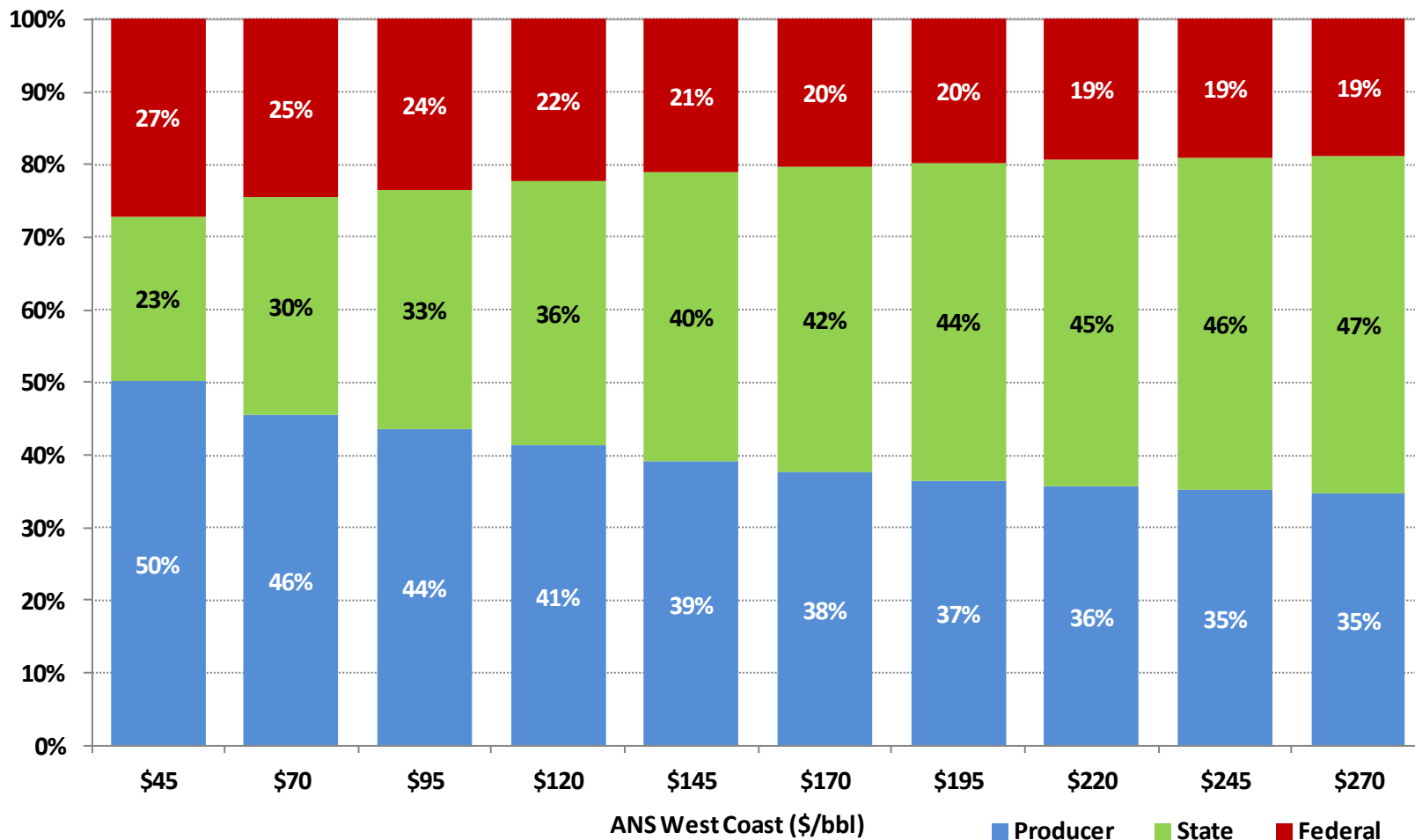
Share of Profit – ACES new fields



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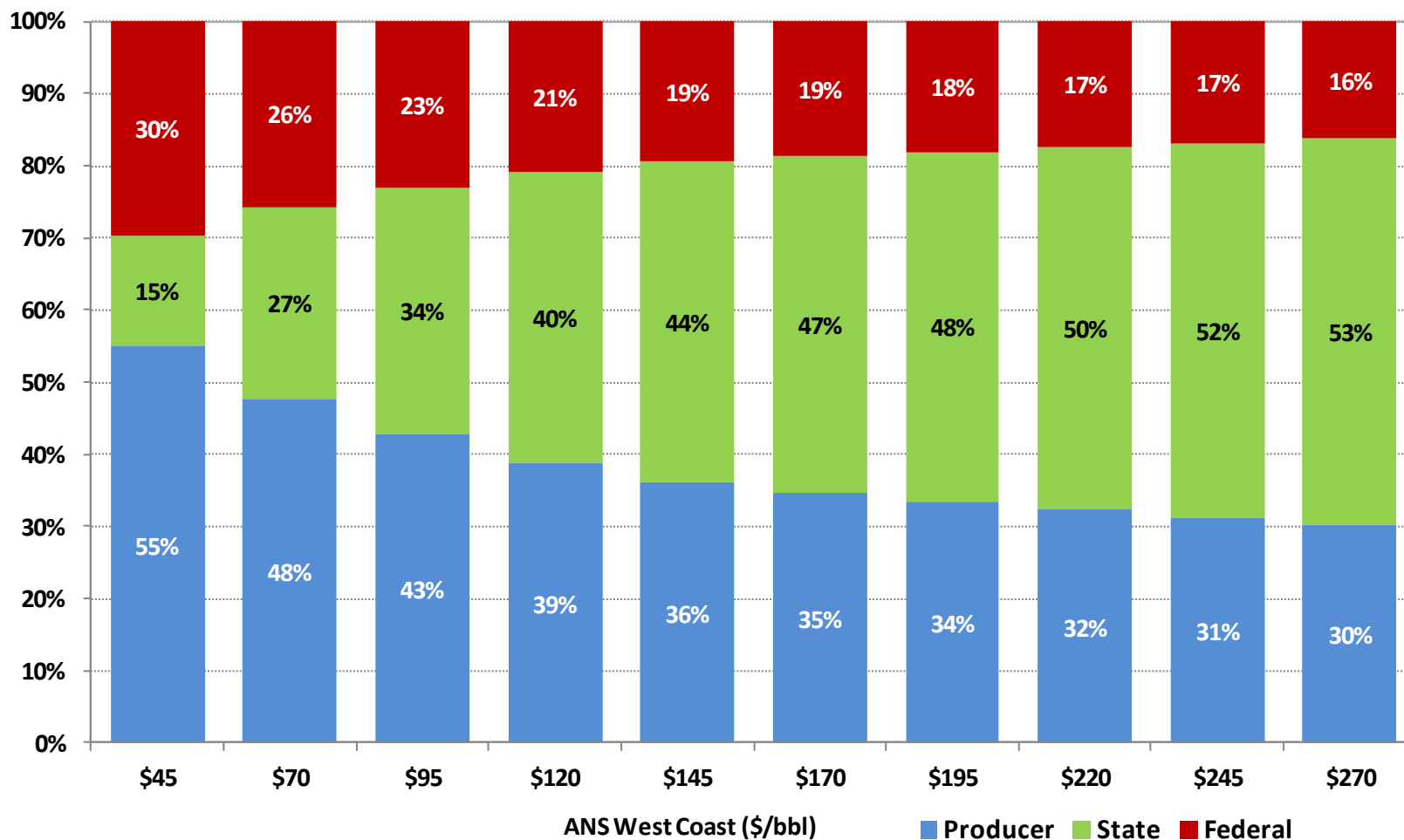
Share of Profit – CSHB 110(FIN) new fields



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Share of Profit – HB 3001 / SB 3001 new fields



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HB 3001 / SB 3001

Summary



- Provisions in HB 3001 / SB 3001 represent “meaningful change”
- Meaningful change is needed to incentivize development of Alaska’s oil resources
- Meaningful change is needed to stimulate jobs and economic activity for Alaska’s economy
- Producers have committed to additional investment contingent on meaningful change



Questions?