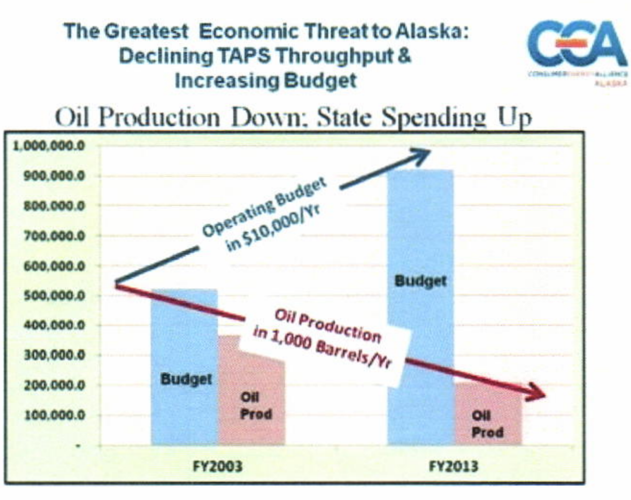
Linda Hay

From:	Steve Pratt <spratt@consumerenergyalliance.org>
Sent:	Monday, April 01, 2013 11:01 AM
To:	Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck
Subject:	Pass SB 21 for Alaska's Future
Categories:	Linda

CONSUMERENERGYALLIANCE
ALASKA

Members of the House Resources Committee –

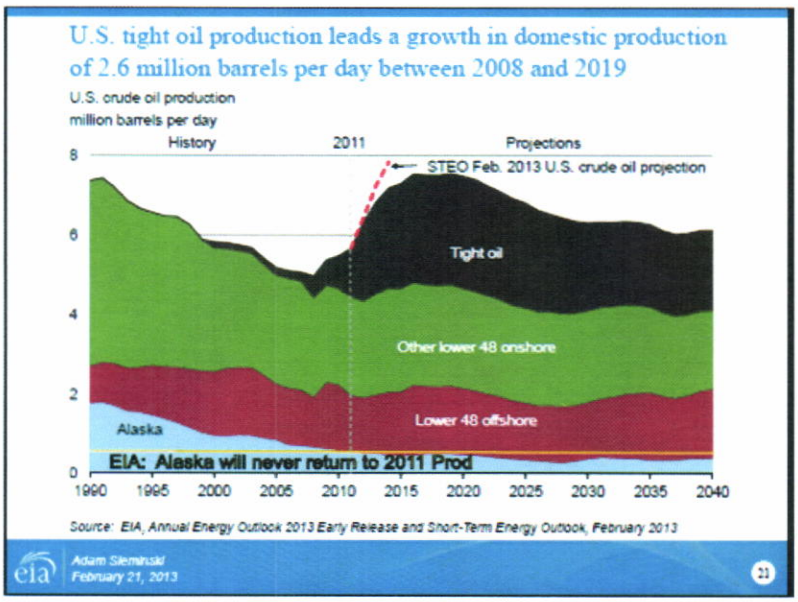
My name is Steve Pratt, Executive Director of Consumer Energy Alaska, a regional chapter affiliated with the national Consumer Energy Alliance. We believe the greatest economic threat to Alaska energy consumers is declining TAPS throughput as state spending increases. We need to reverse these decade long trends. Consequently your focus on declining throughput and fiscal issues this legislative session is critical.



As energy consumers, we all have a direct interest in obtaining competitively priced domestic energy. We also have a direct interest in robust overall economic activity to maintain livelihoods and at least 30% of working Alaskans are dependent upon oil and gas exploration and development for employment.

Unfortunately, Alaska oil production has declined from a peak of over 2 million barrels a day to a little over 500 thousand barrels, and is in freefall at the rate of 5 - 7% per year. What is especially remarkable is that these declines have occurred during times of high and increasing oil prices.

Alaska is capable of making a substantially greater contribution to U.S. domestic oil production and the nation's energy and economic security than it does today. Five weeks ago CEA met with Adam Sieminski, the head of the Energy Information Administration in the U.S. Department of Energy. Mr. Sieminski gave us a presentation on the agency's draft 2013 Energy Outlook. To me, Alaska was a disappointment. In the Energy Outlook, Alaska's contribution to the nation's energy supply will never return even to 2011 levels let alone increase unless state fiscal and federal regulatory changes occur. We are not doing our part to secure US energy security or fulfill our constitutional mandate to develop our resources.



A sustainable increase of only 500,000 bbls/day from today's levels, at $100/bbl., would add $1.5 Billion **per month** to overall U.S. economic activity. It might also reduce the export of 1.5 Billion U.S. consumer dollars per month to OPEC nations.

However, new, risky exploratory and development drilling is necessary to stem the decline in Alaska oil production. Alaska students need to compete globally for jobs. Alaska natural gas needs to compete globally to secure markets. And Alaska oil field development needs to compete globally for investment dollars. Your work here can enable that ability.

The rates and progressivity structure of Alaska's current tax regime provide a disincentive to attracting risk capital to the state as evidenced by declining production during times of high oil prices. As demonstrated in the EIA's Energy Outlook, increased prices and new technologies have resulted in substantial increases in oil production in other locations around the United States, but not in Alaska, and not because more oil is not available.

Alaska's remoteness from the markets, Arctic climate, high labor and logistical costs argue for a more competitive tax and regulatory structure.

Consumer Energy Alliance – Alaska, along with a solid majority of Alaskans, is in favor of the Alaska State Legislature reviewing and approving revisions to the Alaska Tax Code that will improve the investment climate in Alaska.

In closing I will simply note that something is terribly wrong here, and I thank you, members of the Resources Committee, for taking on the task, with the Governor, of coming up with useful changes to the tax code.