

Testimony of Resource Development Council for Alaska to
House Resource Committee,
Regarding CSSB21
April 1, 2013

Good afternoon, Co-Chairs Feige, Saddler and members of the committee. My name is Rick Rogers, Executive Director of the Resource Development Council.

RDC encourages the committee to remain focused on the ultimate goal of this legislation, increased production from both legacy and new oil fields. We understand the tension between balancing short-term impacts to the treasury with the long-term benefits to the treasury and the economy as a whole. We remain concerned that a short-term focus will undermine the overall purpose of this legislation, to increase production activity and stem the TAPS throughput decline.

Competitiveness is not a single point, but rather a continuum. SB21 is far more competitive than ACES. The degree to which we modify our tax policy should keep in mind the challenges of operating in Alaska: a short operating season; high costs; lack of infrastructure; and the very real delay risks associated with the need for federal permits. To attract sufficient investment capital to overcome our Alaska specific challenges, we need to be sufficiently aggressive in tax reduction to stand ahead of the competition.

Smaller producers have less resiliency to overcome these challenges, and we encourage the committee to consider extending the small producer tax credit to 2022 or beyond, again with the goal of helping existing and future small

producers compete in obtaining the capital needed to increase production.

This important public policy decision is not about helping industry. Its about helping Alaska so we have a more prosperous outlook for the future. There has been much discussion about guarantees. The real guarantee is that if we maintain the status quo with ACES, we guarantee continued production declines in the 7% per year range with significant revenue reductions.

In summary, RDC has not conducted a detailed analysis of the new committee substitute introduced by the committee on Friday. Like you, we look forward to hearing from explorers, producers, consultants and the administration, and will be supportive of changes to this evolving tax policy that emphasize increased production from legacy and new fields.

We commend the committee members for their continued diligence on this important policy and remain encouraged that this legislature will establish an oil and gas tax policy this session that leads to a bright future.

Thank you for the opportunity to comment.