



# **BP Testimony to House Finance on HCS CSSB21 (RES)**

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**April 8, 2013**

# Overview



- BP in Alaska – working with the State over 50 years
- Alaska has great resource potential and people
- Under ACES, Alaska is at the back of the line in competition for investment
- HCS CSSB 21(RES) meets the Governor's four principles and will put Alaska back in the game of oil investments

# BP in Alaska – 54 years, and counting...

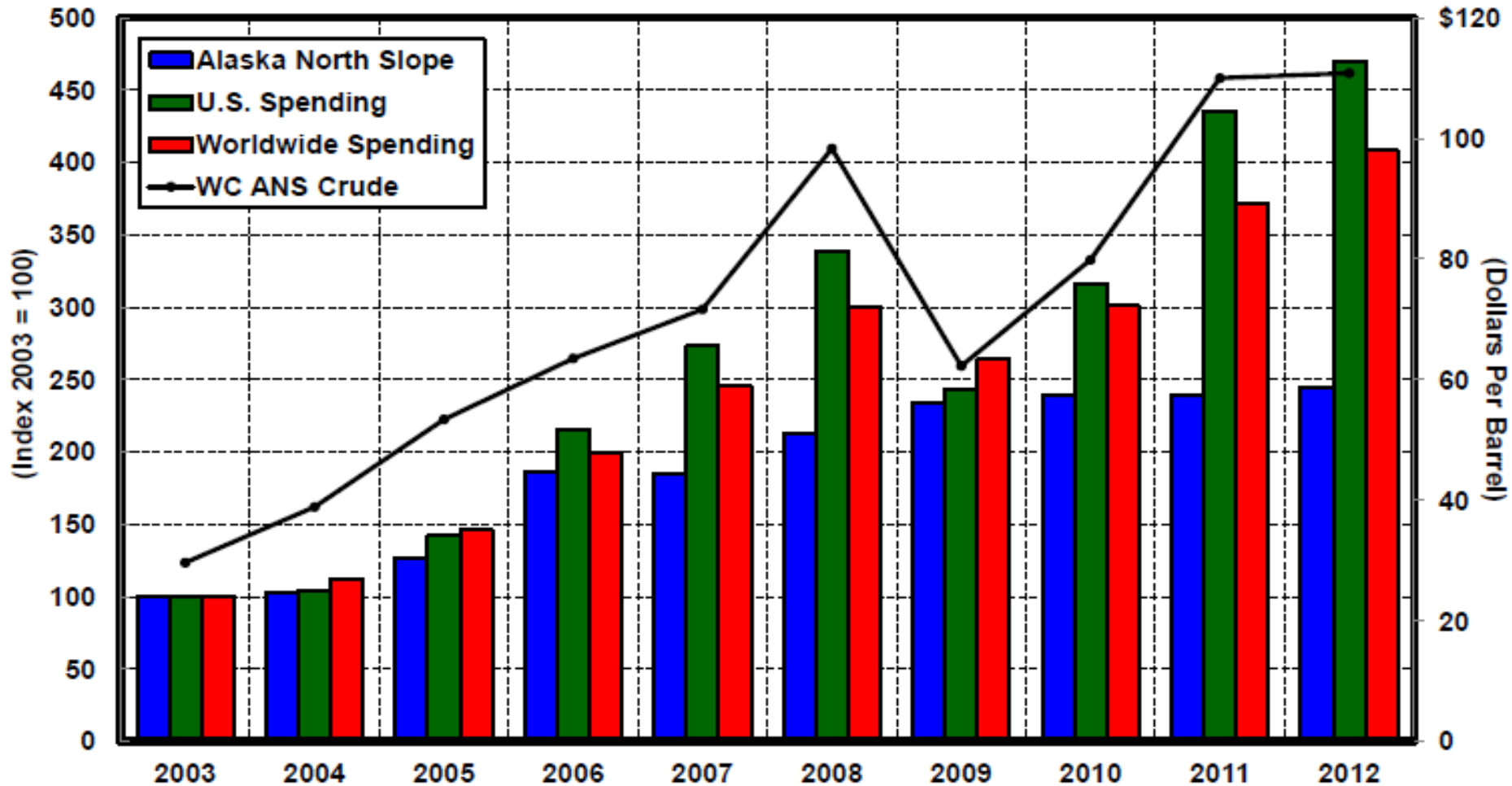


## BP presence in Alaska since 1959

- **Operating area**
  - 250 miles north of the Arctic Circle
  - 1200 sq. miles (approximately the size of Rhode Island)
  - Prudhoe Bay Unit, Endicott, Milne Point, Northstar
- **People**
  - 2,300 BP Alaska employees
  - 6,000 contract employees
- **Facilities (start-up 1977)**
  - 11 major production facilities
  - 2 major gas facilities
  - 3 water handling facilities
  - 2000 production/injection wells
- **Prudhoe Bay**
  - Original production estimate ~9.6 billion barrels
  - Cumulative production has exceeded 12 billion barrels
  - More than 2 billion barrels remaining
  - Largest field in North America – 35 years
  - COP ~36%, XOM ~36%, **BP ~26%**, CVX ~2%

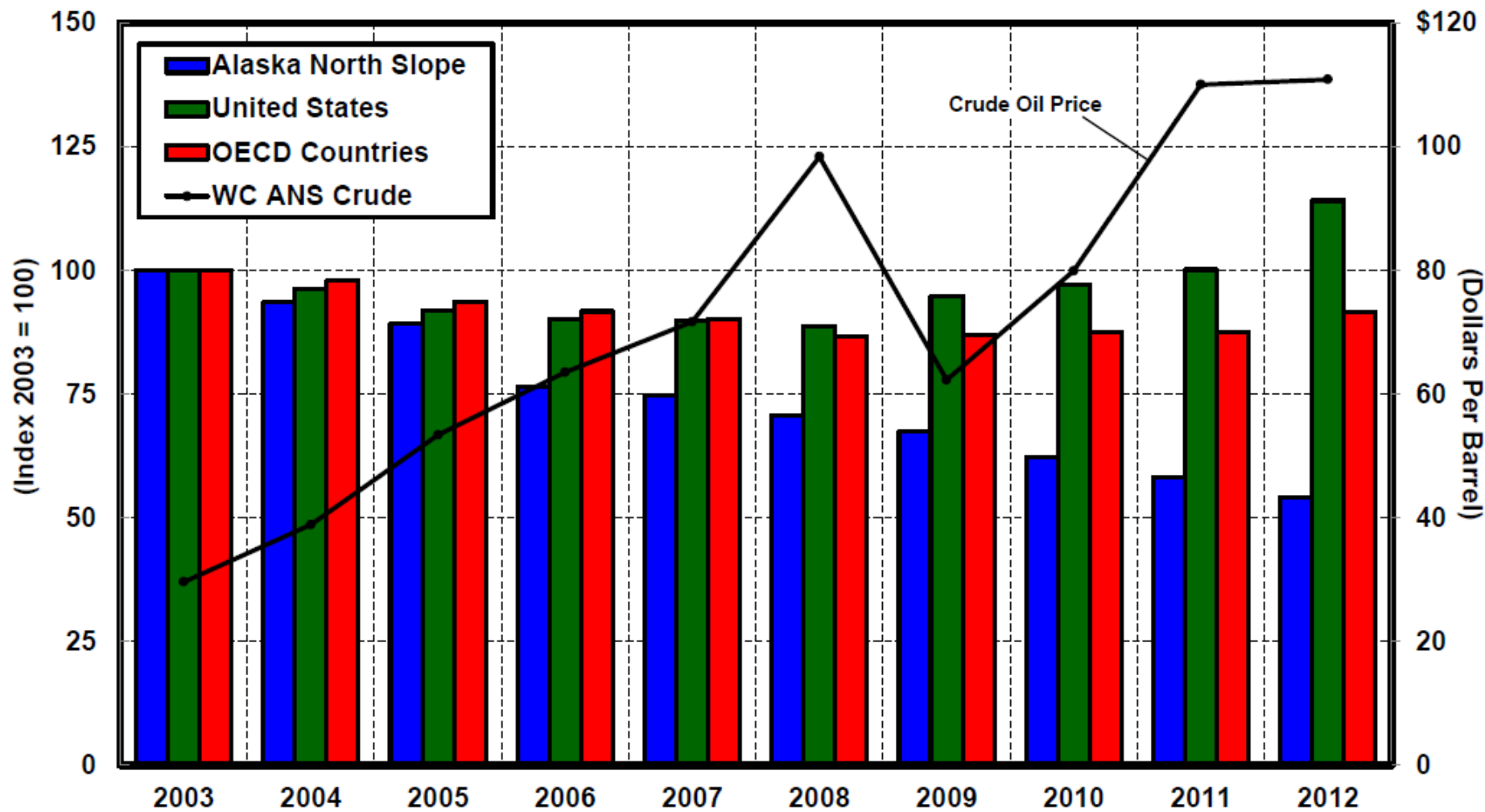


# Estimated Capital Spending for Exploration and Development Alaska North Slope vs. U.S. and Worldwide Spending\* 2003 - 2012

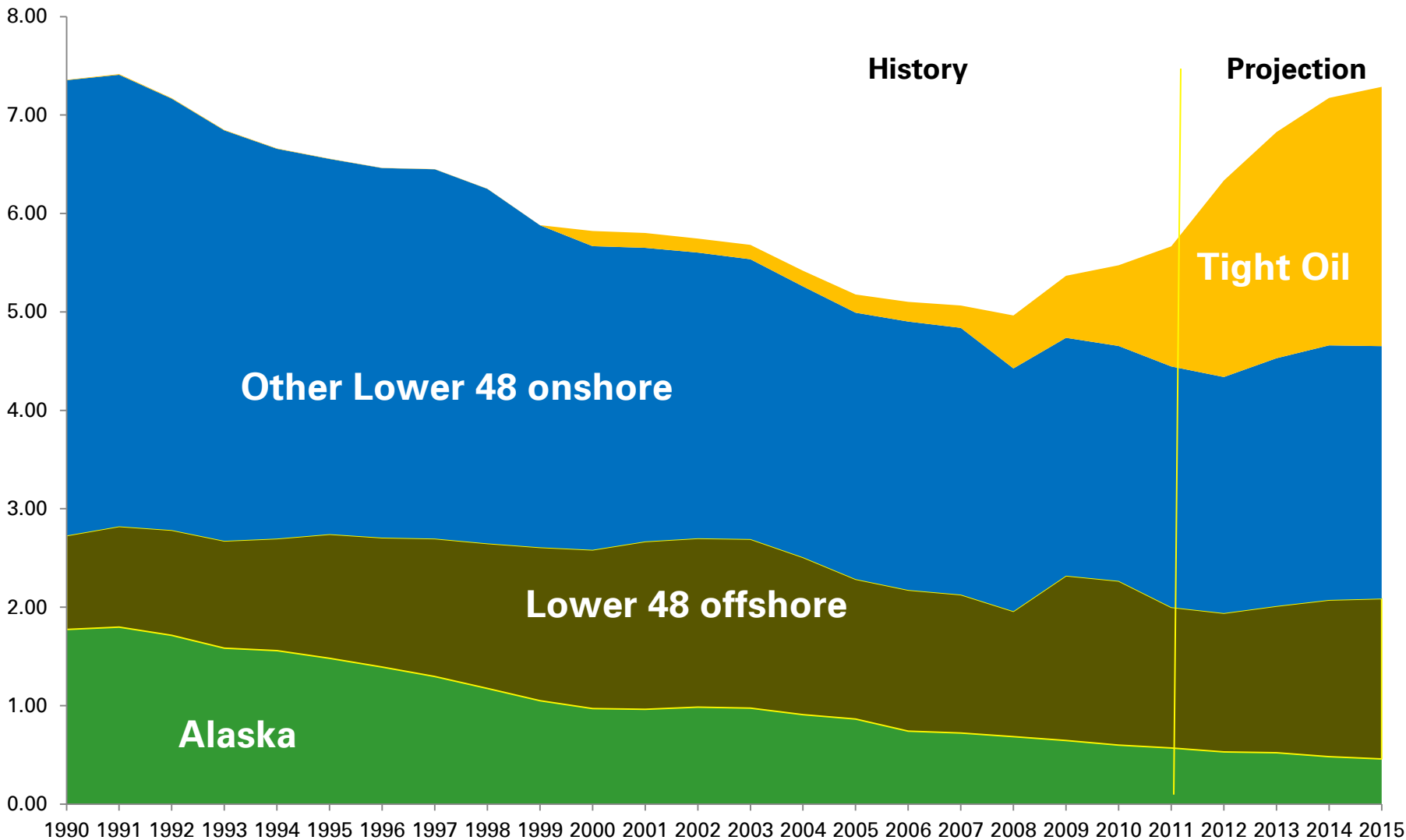


\* North Slope based on tax return information; U.S. based on top 50 public companies; worldwide based on top 75 public companies

# Crude Oil Production Alaska North Slope vs. United States and OECD Countries 2003 - 2012



# Both conventional and unconventional oil production has grown in the Lower 48

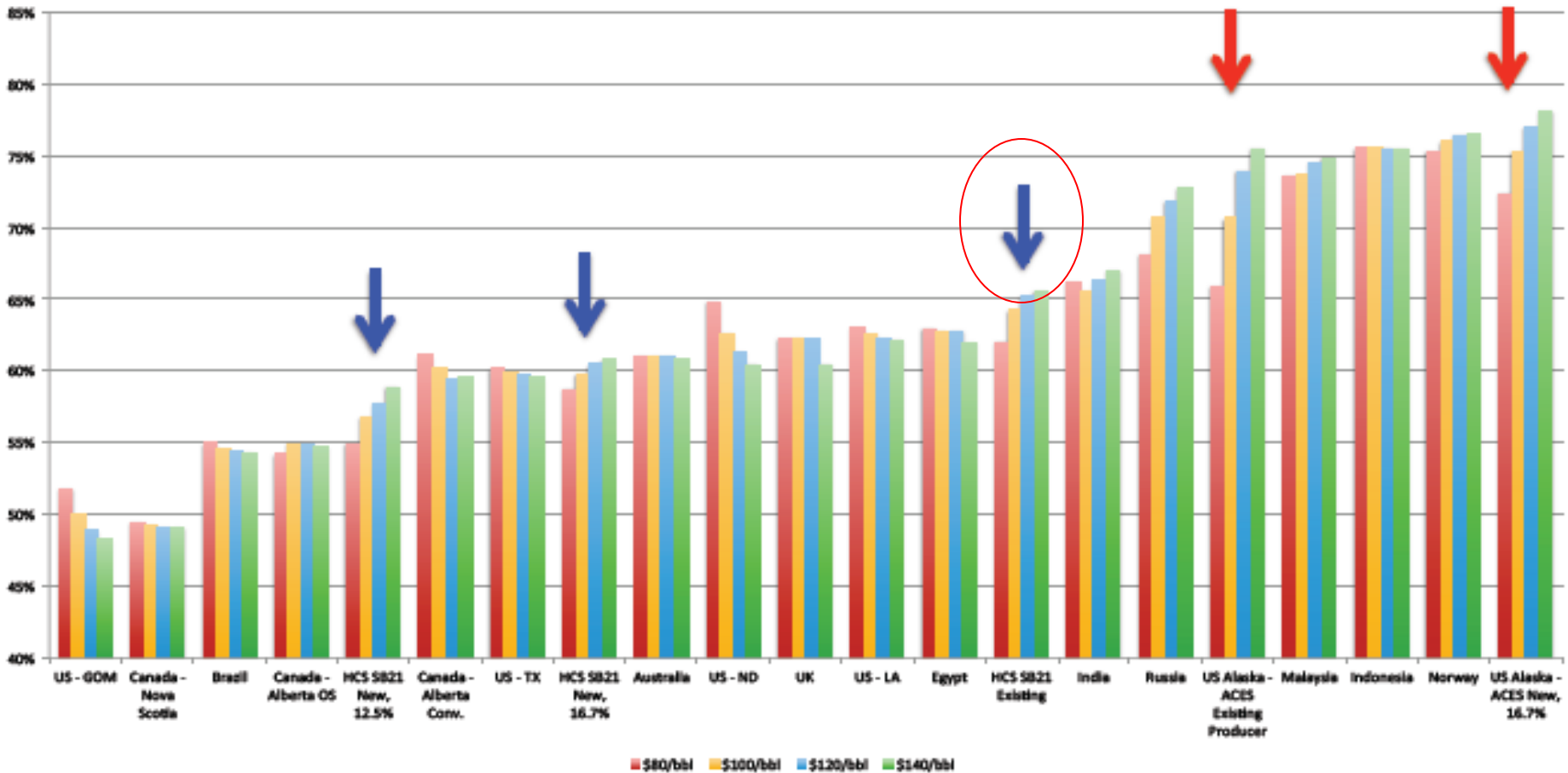


Source: EIA – Annual Energy Outlook 2013 Early Release, December 5, 2012

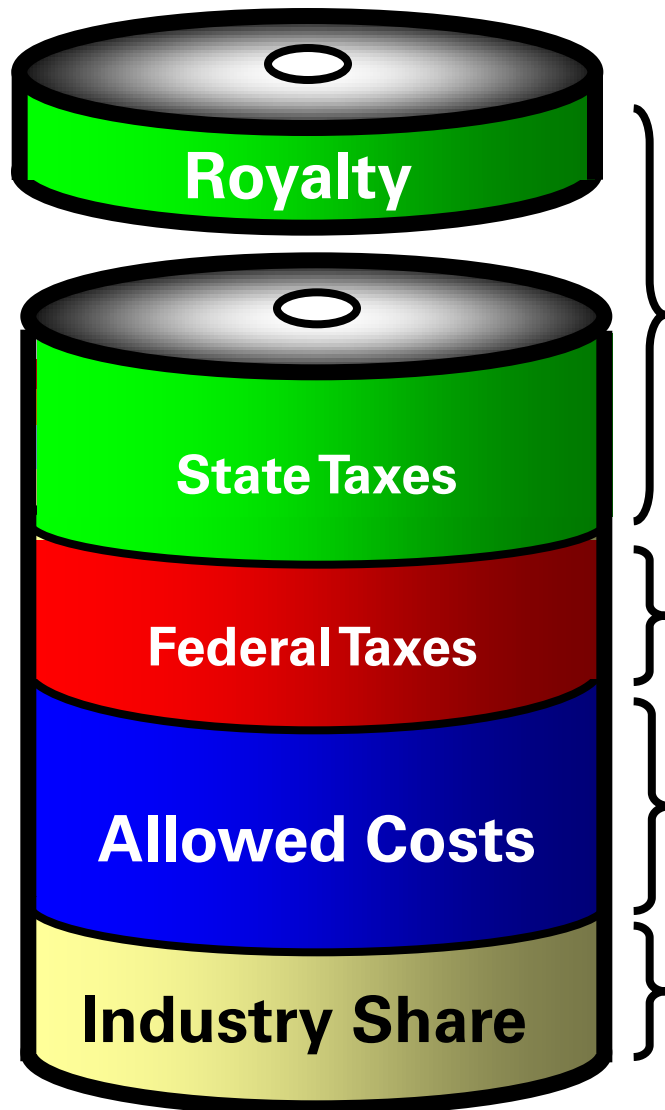
# Alaska does not compete for investment



Alaska Government Take Competitiveness - Comparable Regimes



# Why doesn't ACES work?



*Example at \$110 per barrel*

**Alaska State Revenue \$36**

**Federal Income Tax \$12**

**Deductible Costs \$40**

**\$22 – less \*non-deductible expenses**

**AK Cost  
of  
Supply  
Is  
>\$88 /  
bbl**

\* Source: DOR RSB Fall Forecast 2012, for FY 2013

\* AS 43.55.165(e)



# HCS CSSB 21(RES) versus ACES



## ACES

- Progressivity discourages investors
- Links credits to spend
- Complex
- High base rate

## HCS CSSB21(RES)

- Eliminates progressivity
- Links credits to production
- Simpler
- Higher base rate balanced with credits

# In summary



- TAPS is  $\frac{3}{4}$  empty and ACES has not delivered increased production
- HCS CSSB 21(RES) is a game changer and a signal that Alaska is ready to compete for investment
- The HCS CSSB 21(RES) structure could work:
  - Balances a high base rate with appropriate credits
  - Requires production to earn credits
  - Doesn't pick winners and losers
  - Provides a foundation for future opportunities