



**AOGA**

**OIL & GAS:**  

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**FUELING  
ALASKA'S  
ECONOMY**

**House Resources  
Committee  
*HCS CSSB21 (RES)***

**April 9, 2013**

**Kara Moriarty, Executive Director**

# AOGA Member Companies

**PIONEER**  
NATURAL RESOURCES ALASKA



**Apache**



Hilcorp Alaska, LLC

**ExxonMobil**



**TESORO**



bp



petroleum

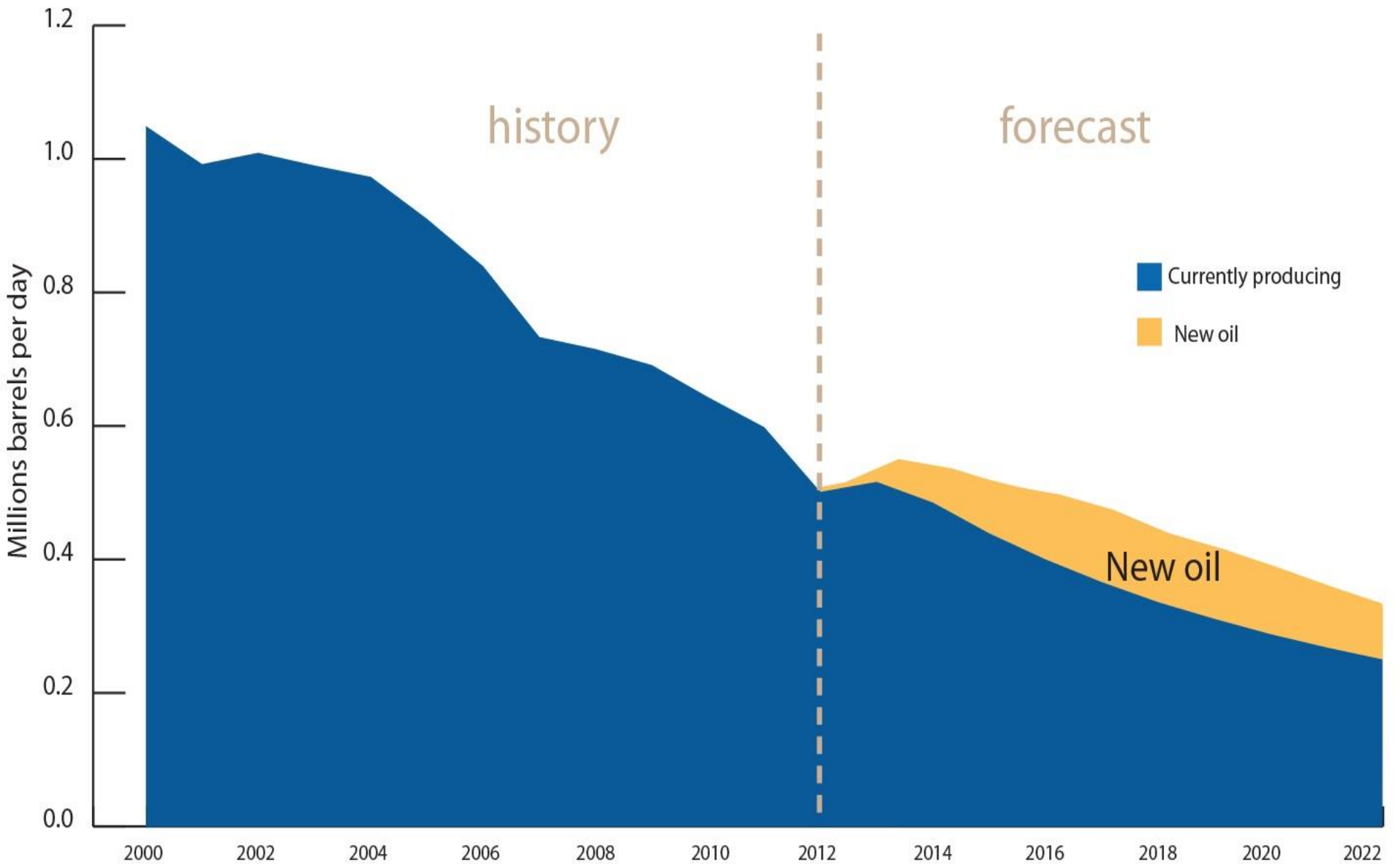


**FLINT HILL**  
RESOURCES<sup>®</sup>  
Alaska



# Alaska North Slope Production

FY 2000-2012 and Forecasted FY 2013-2022



# *HCS CSSB21 (RES) Component: Progressivity*

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- *AOGA supports the elimination of ACES progressivity*
  - 1) Progressivity under ACES takes away too large a share.
  - 2) Progressivity guts the upside potential for Alaska investments.
  - 3) Progressivity makes it difficult to analyze and quantify the tax effect.

## *HCS CSSB21 (RES) Component: Increasing the Base Tax Rate*

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- *AOGA does not endorse increasing the base tax rate to 35%*
  - 1) A higher tax rate would be a step in the wrong direction.
  - 2) Increasing the base tax rate is contrary to the Governor's second principle. It would not encourage new production.
  - 3) The lower the tax rate, the more attractive Alaska's system will be to investors.

# *HCS CSSB21 (RES) Component: Tax Credits*

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*1) AOGA does not support the repeal of Qualified Capital Expenditure Credits (QCE) if it was the only change, but CS offers other incentives that tend to offset this loss.*

*2) AOGA supports the new credits for new production.*

- *Gross Revenue Reduction for “non-legacy” fields*
- *Sliding Scale for legacy fields*

# ***HCS CSSB21 (RES) Component: Tax Credits***

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- 3) AOGA supports the extension of the small producer tax credit.*
- 4) AOGA supports maintaining the ability to utilize the loss carry-forward annual loss credit*

# *HCS CSSB21 (RES) Components: Statutory Interest & Joint Interest Billings*

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## *AOGA supports change in statutory interest*

- Lowers risk/makes Alaska more competitive

## *AOGA supports the use of Joint Interest Billings as a starting point*

- Using Joint Interest Billings as the initial source for lease expenditures is more efficient and provides consistency of what are expenses are allowable for deduction.



## *HCS CSSB21 (RES)*

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Current bill is a significant improvement over ACES.

- Repeals high ACES progressivity
- Maintains key credit provisions while creating incentives for new production from legacy & non-legacy fields
- Reforms interest rate for tax underpayments
- Restores ability to administer the tax more effectively

Principal Downside: Higher Base Tax Rate