

## Alaska Oil and Gas Association

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### AOGA Public Testimony on Committee Substitute for Senate Bill 130

#### Senate Resources Committee

April 12, 2016

Good Afternoon Morning Madam Chair and members of the Committee. For the record, my name is Kara Moriarty and I'm the President/CEO of the Alaska Oil and Gas Association, commonly referred to as "AOGA".

Thank you for the opportunity to testify as part of public testimony on the Committee Substitute for SB 130. Like others, we got the CS last night and we are still evaluating it and its impacts, but I do have unanimous consent of my diverse group of members to offer these initial thoughts this morning.

On Friday I was before this committee and testified on Governor Walker's original proposal. During that testimony, I shared four policy questions for your consideration as you evaluated the 6<sup>th</sup> oil and gas tax change in 11 years. Madam Chair, you said there were additional questions that you were also asking yourself. From our view, none of the questions have a positive answer.

- Will this increase production? Frankly the answer is no. This is a significant threat to Cook Inlet production. Dramatically and adversely changing the tax system in the Cook Inlet as proposed in the CS will decrease production of oil and gas in the Inlet. For the North Slope, there will also be a negative impact, especially on smaller fields. Alaska needs every company to be successful because the state needs increased production from every field and region. This CS will not add more production
- Will this make Alaska more competitive? Again, many of the proposals that were included in the Governor's bill remain in the Committee Substitute and make it very difficult to attract new investment and companies to Alaska.
- Will it provide predictability? The only thing that seems to be predictable, even with this CS,

is that the state will constantly change tax policies, regardless of oil price, and regardless of the economic condition of the industry. We hear that everyone has to pay something to solve the state's fiscal crisis. We would ask, what other industry is being asked to pay, or in our case, pay more when the state has clearly demonstrated that industry is losing money?

Your questions Madam Chair were:

- How will this CS affect Alaska families, businesses and jobs? If you passed this CS in its current form there would be less investment by companies, which will result in less production and job loss. You heard the passionate plea from Alaskans who have already suffered from the current economic situation on Saturday. Alaska families, businesses and jobs will continue to be affected in a negative way.
- Lastly, will this CS provide stability? We recognize that many of you are looking for ways to fill the state's budget gap and you see increasing taxes on the oil industry as part of the solution to create a stable environment for Alaska. Our job is to tell you how the industry will react to those changing policies. Again, we still need more time to evaluate the CS you are proposing to adopt, but the CS is bad for Alaska. It is destined to make the economic situation for the industry even worse, and when the industry suffers, the state suffers too. And if policy makers do not find a way to solve the entire solution for the state this year, our fear is we will find ourselves in a similar situation next year.

Again, as I said on Friday, the industry is not asking for a tax decrease or for tax or royalty relief while we struggle through extraordinarily low prices and we asked that you proceed with caution. The tax policy you have proposed will not encourage new entrants to come to Alaska, will not ensure current producers will remain committed to Alaska, will not lead to more jobs or more production, will not lead to more long-term revenues to the state, and will not improve Alaska's long-term fiscal future.