

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Royalty Relief for Cook Inlet Platforms

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Royalty relief for Cook Inlet platforms.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.180(f)(6)

(4) Year Enacted

2003

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Provide monetary incentive as royalty relief from oil and gas producing platforms.

(7) Public Purpose

Incentives to lessees to continue to produce from Cook Inlet platforms which were not economically viable at a 12.5% royalty rate.

(8) Estimated Revenue Impact

FY 2011 - \$12,482,905

FY 2012 - \$14,855,924

FY 2013 - \$18,114,351

FY 2014 - \$14,373,165

FY 2015 - \$6,371,535

(9) Cost to Administer

(10) Number of Beneficiaries / Who Benefits

6 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$6,371,535

(2) Estimate of Annual Monetary Benefit to Recipients

\$1,061,923

(3) Legislative Intent Met?

Yes

(4) Should it be Continued, Modified or Terminated?

Recommend reconsideration. It is unclear how the State benefits from oil production for which it receives no royalties or taxes.