HB111 Opposing Document – Letters in Opposition 3.3.17

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1.

From: "rada@pacriminstitute.org" <rada@pacriminstitute.org>
Date: March 1, 2017 at 5:04:45 PM AKST
To: "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>
Subject: HB 111

03-01-2017

House Resources Committee

Email submission

Dear Representative Johnson,

As an engaged Alaskan, serving as commissioner on two municipal commissions and a non-profit organization, I care most about the wellbeing of our state and people who live here. For over 20 years, I have been extremely fortunate to call Alaska home. My family includes my parents, their children and great children who love Alaska just like I do. I am a product of the University of Alaska system, most recently of its graduate program in Environmental Permitting. I come from Russia, which I left due to upheavals and unpredictable policies of the early 90s.

I am writing today because I am worried and concerned about the future of the state and its citizens, including my family and myself. Alaska political and industry leaders tout how secure, reliable, trustworthy Alaska is to do business here. Yet the activity of our legislature over the last dozen or so years paints a drastically different picture. The oil and gas industry, which pays for over 90% of state's budget has experienced six tax law changes in 12 years. If HB111 passes, it would be the 7th. Industry, like individual families rely on stable and predictable tax regime to make prudent decision about its activities. Passing HB111 will likely produce the opposite result the proponents are hoping for, slowly suffocating the goose that's laying the golden eggs.

Oil and gas and support industry, has drastically reduced jobs and cut wages to its employees, yet the public sector cannot show it has done the same. I believe spurring new production must be part of the solution. Changing the rules of the game yet again is bound to backfire and undermine the most important source of the State's revenue, with time making Alaska even more dependent on Federal government, unable to have a say about what's taking place on its lands or waters.

In short, leave the oil taxes alone.

Rada Khadjinova, PMP

Anchorage resident

2.

From: Erin Renfro
Date: March 1, 2017 at 5:08:45 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>, "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>
Cc: Casey Sullivan <Casey.Sullivan@caelusenergy.com>
Subject: HB 111

House Resources Committee Members:

I am an engineer at Caelus Energy and I am concerned about the most recent oil tax increase that is being proposed under HB 111. While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive making it very difficult, if not impossible, to raise the funds to complete projects like our Nuna development and Smith Bay prospect.

Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects including Caelus Energy buying Pioneer Natural Resources' Oooguruk and Nuna projects, hundreds of thousands of acres of leases on Alaska's Eastern North Slope and, of course, drilling two very successful exploration wells in Smith Bay. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

Please do not spook our potential investors by making further changes to Alaska's oil taxes.

Thank you,

Erin Renfro

Operations Engineering Supervisor

Caelus Energy Alaska, LLC

l Anchorage, AK 99503-5818

3.

From: >
Date: March 1, 2017 at 5:35:37 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>, "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>
Cc: "Representative.Jennifer.Johnston@akleg.gov" <Representative.Jennifer.Johnston@akleg.gov>
Subject: HB 111

Co-Chairs Josephson, Tarr and Members of the House Resources Committee:

I am writing in opposition of HB 111. If passed this would represent the third oil tax change since 2013 and the seventh change in the past 12 years. This imposed on an industry vital to our economy and experiencing negative cash flow, and thousands of layoffs.

Alaska has significant fiscal challenges, but shrinking the economic contribution of the oil and gas industry will not provide the long-term economic stability that Alaskans seek. We are just starting to see the promise of the more reasonable oil and gas tax policy developed in 2013. The government take is higher at these low prices, the 6%+ production decline has been reversed, and over $5 billion has been invested in spite of severe price declines. Such investment has led to promising new discoveries by ConocoPhillips, Caelus, and Armstrong that could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline.

If you think raising oil taxes once again will lead to an improved fiscal situation for the State or an improved economy for Alaskans, I think your vision is very short sighted. What gains this tax change may make in State revenues over the short run will soon be offset with declining investment, erosion of the TAPS throughput gains of recent years, and the failure to sanction promising new projects.

Alaska has developed a well-earned reputation of being an unreliable partner by changing tax policy to suit the political whims or oil price environment of the day. Industry invests capital in high lead time projects in Alaska based on rational assumptions, and the level of added risk resulting from ever changing oil and gas tax policies directly impacts the willingness of investors to do business here.

Please consider the very real implications of these most important policy decisions. Alaska has entered a recession that most agree will deepen before it gets better. Burdening our most important industry with added uncertainty and fiscal demands will only serve to prolong the downturn, and could lead to an irreversible decline.

Thank-you for consideration of these comments.

Rick Rogers, Anchorage Hillside (House District 28)

Sent from Mail for Windows 10

4.

Northrim Bank

March 1, 2017

State of Alaska - Legislature - House Resource Committee

Subject: HB 111

Honorable Members - House Resource Committee,

Please consider my inputs in this written testimony as objections to the breadth, reach and consequences of enacting this legislation as currently drafted. Though tactically modifying our oil tax credit formulas and pay-out mechanisms likely deserves some adjustment.

Often we Alaskan's associate our public resource ownership to a fiduciary responsibility for maximum benefit absent clear definitions of such measurement. From a financial and economic perspective, maximum value requires retaining a 'going concern', 'franchise' 'intrinsic' or 'discounted cash flow' value of a very long term proposition. If our tenant, lease-right holder, or operator is not successful, little or no value accrues. Our resource when assigned as leasehold, extraction and operating right is not listed on the State's financial statements as an asset (other than up-front lease bonus payments), but become earning opportunities when and if product is extracted and operations are profitable and sustainable. Our ownership culture needs to extend to the lessee and operator that require positive cash flow for us to accrue benefits. Balancing the very long term benefits for both State and lessee/operator, and relative to other opportunities, is the absolute goal, including the extraction of the last ounce of resource for royalty. This economic and financial model will deliver wealth to our progeny

As in the case of any contract or marriage, surprises do come up after the 'I do's' are exchanged and we must work through unforeseen circumstances for all parties and be collective good stewards of limited capital and retain long term viability.

As a studied bank observer of these circumstances I am concerned that during our current economic oil market environment we are proposing raising oil taxes too much and the result will be to impair the state's second largest asset and result in a flight of direct and indirect investment capital out of our state that could otherwise be retained.

Addressing some unintended consequences of tax credits, while retaining a motivating strategy for new oil may be appropriate, but the significant increase of production taxes is not appropriate at this time. Accordingly, please drop or significantly reduce the proposed tax increases in HB 111 or provide offset benefits that will retain and grow investments in this industry for the long term.

Respectfully submitted,

Joseph M. Beedle, Chairman

P.O. Box 241489
Anchorage, Alaska 99524-1489
Phone: (907) 562-0062 · (800) 478-2265
northrim.com

5.

From: Judy Patrick
Date: March 1, 2017 at 4:36:30 PM AKST
To: <Representative.DeLena.Johnson@akleg.gov>
Subject: HB 111

Dear Rep. Johnson,

I am unable to testify in person this evening, so am sending this email to let you know my thoughts about HB 111 as a resident of Alaska.

In short, please stop adding taxes to Alaska's oil producers. As a business owner I feel the direct impact when taxes are raised on my business, it causes it to shrink, not grow.

We need a stable tax policy, which already is in place and should be left alone. Adding more taxes to oil will have a negative impact on oil production, and TAPS throughput is already at a historic low. Trying to squeeze every last dime out of the remaining producers, many of whom are operating at a loss due to low oil prices, sends a chilling message that the State government cannot stick with a policy long enough for the producers to have certainty, which is critical for any business. Uncertainty in business translates to job losses, lower production and less capital spending, none of these things are good for our State. It is unbelievable to think that after all the billions of dollars of of investment they have made, and have funded 90% of our State government for decades, that HB 111 can even be considered!

As a commercial photographer I see first-hand the way the oil industry has been operating in Alaska. Just last week I was on the slope and saw more rigs stacked than I've seen in nearly three decades of taking photos there. Each idle rig represents hundreds of jobs lost. So perhaps instead of thinking about adding new taxes, you should consider lowering taxes to add incentive during tough economic times like these and get the rigs up and working, and put people back to work. It will put more oil in the pipeline and bring our wonderful State back to prosperity.

Thank you for considering my comments.

Judy Patrick

PS I support a statewide sales tax instead.

Judy Patrick Photography

Anchorage, Alaska 99503

6.

From: Kathy Egrass >
Date: March 1, 2017 at 4:24:31 PM AKST
To: <Representative.Andy.Josephson@akleg.gov>, <Representative.Geran.Tarr@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummond@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <epresentative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: HB111

Please do not raise taxes on Alaska's primary industry. We need to be competitive.

thank you

Kathy Egrass

Alaska Textiles/Korbana Protective Apparel

Assistant Sales Manager

Anchorage, AK 99503

7.

From: Neal Collins

Date: March 1, 2017 at 3:26:58 PM AKST
To: <Representative.DeLena.Johnson@akleg.gov>
Subject: Please do not support HB111

Increasing taxes on an industry that is already in a high cost environment will only serve to decrease investment in Alaska, and reduce revenue for the state in the long run. Companies will choose to spend money elsewhere.

Industry makes investments based on an agreed tax burden, then we change the rules on them every couple of years when we don't like the outcome. I am surprised they even bother with us anymore.

Oil companies are the main non-government economic driver for the economy. Their jobs support lots of other Alaska jobs.

Please do not push HB111 forward and risk further damage to Alaska's economy.

Neal Collins
Chugiak, Alaska

8.

From: Melonnie Amundson
Date: March 1, 2017 at 2:36:19 PM AKST
To: "'Representative.Andy.Josephson@akleg.gov'" <Representative.Andy.Josephson@akleg.gov>, "'Representative.Geran.Tarr@akleg.gov'" <Representative.Geran.Tarr@akleg.gov>, "'Representative.Dean.Westlake@akleg.gov'" <Representative.Dean.Westlake@akleg.gov>, "'Representative.Harriet.Drummond@akleg.gov'" <Representative.Harriet.Drummond@akleg.gov>, "'Representative.Justin.Parish@akleg.gov'" <Representative.Justin.Parish@akleg.gov>, "'Representative.Chris.Birch@akleg.gov'" <Representative.Chris.Birch@akleg.gov>, "'Representative.DeLena.Johnson@akleg.gov'" <Representative.DeLena.Johnson@akleg.gov>, "'Representative.George.Rauscher@akleg.gov'" <Representative.George.Rauscher@akleg.gov>, "'Representative.David.Talerico@akleg.gov'" <Representative.David.Talerico@akleg.gov>, "'Representative.Mike.Chenault@akleg.gov'" <Representative.Mike.Chenault@akleg.gov>, "'Representative.Chris.Tuck@akleg.gov'" <Representative.Chris.Tuck@akleg.gov>
Subject: Opposition of HB 111

Dear Representatives,

Thank you in advance for taking the time to read my point of view of HB 111.

We all know that Alaska's economy is directly affected by the oil and gas industry, which is naturally cyclical. We also know that it is logistically expensive and difficult to do business in Alaska, which puts Alaska at a disadvantage to the lower 48 states. The implementation of HB 111 could be the bill that blocks exciting new exploration/development opportunities that we have in Alaska. Raising taxes and eliminating tax credits could halt much needed investment in Alaska. We desperately need investment, to keep oil production up, protect our Alaskan jobs and local businesses and increase economic stimulation that is needed in our current economic state. For these reasons, I am in opposition of HB 111.

As a lifelong Alaskan, I am very familiar with the stresses of economic change in Alaska. I have lived my entire life in the Anchorage/Eagle River area. I graduated from Chugiak High School and continued into college at the University of Alaska Anchorage. I graduated from UAA with a Bachelors in Management and a minor in economics and then went straight into the Alaska oil industry. I now have 16 years of Alaska oil and gas industry experience under my belt. I worked for over a decade with a corporate oilfield services company that services the North Slope and Cook Inlet. I currently work for Caelus Energy Alaska, a privately held independent exploration and production company that operates on Oooguruk Island in the North Slope. I have seen firsthand the impacts of economic change on a large services company and a small privately held oil company. I have been through the ups and the downs. I have cheered for colleagues when they succeeded and then I have shed tears as I watched them lose their jobs because of downsizing. My husband works for a distributor of printing, industrial papers, packaging products, janitorial, and maintenance products. The negative effects on the oil industry directly reflects as a decline in the distribution of products through his company. Implementation of HB 111 will further reflect as a decline on all essential services. Economic change in Alaska is scary and it touches everyone.

I am blessed that I was able to continue my education and begin a successful career here in Alaska. My husband and I have been able to keep the dollars we have earned and spend here locally. We have volunteered, donated and supported local charity organizations for over a decade now, most of which would not have been possible without the work I have done within the Alaska oil industry. We have never had to leave Alaska, our home. I want to ensure that the opportunities I had growing up and all future opportunities that await for me here in Alaska are available for our daughter and her generation when it’s their turn to continue their education and begin their careers in Alaska.

Please oppose HB 111. Let’s stabilize the tax regime and encourage investment and new projects in Alaska to positively stimulate our economy.

Thank you,

Melonnie

Melonnie Amundson

Engineering Analyst

Caelus Energy Alaska, LLC

9.

rom: Andy Bond <
Date: March 1, 2017 at 2:10:07 PM AKST
To: "representative.delena.johnson@akleg.gov" <representative.delena.johnson@akleg.gov>
Subject: I oppose HB111

Representative Johnson,

I oppose HB111 strongly. It is going to completely kill the investment climate in the state.

I have lived in Alaska and worked in Alaska's oil and gas industry since graduating from college in 1986. I have worked for Caelus Energy Alaska and its predecessor Pioneer Natural Resource Alaska for 12 years, the last 10 of which as Subsurface Manager for Alaska. The tax system under SB21 was working really well to incentivize companies to explore and find new oil. The new finds by Armstrong, ConocoPhillips and Caelus are all examples of how well this was working. The prospect of new taxes and just the fact that another change is being considered has chilled further investment in the state. We are competing against lower 48 shale – and it's a tough challenge.

The Resource Development Council has prepared a very thorough list of reasons why the tax increases of HB111 will chase away investment from Alaska:

- Alaska is competing against other states that are booming with the increase in oil prices.

- Alaska cannot compete against these other low cost areas by increasing taxes.

- While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones.

- In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

- The oil industry has traditionally accounted for 88 percent of Alaska's General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state's unrestricted revenues and supports one-third of our economy.

- Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

- The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

- Under the current oil tax system, Alaska's share is higher than the producers' at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

- Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

- New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

- The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

- Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy.

- Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

- In 2016, the Legislature passed House Bill 247, a major piece of oil tax legislation. That bill phased out tax credits in the Cook Inlet, and sunsetted exploration credits on the North Slope, among other changes. The full economic impact of this legislation has yet to be understood. Introducing yet another tax bill before seeing how the current law is performing is short-sighted, and could jeopardize recent gains achieved in Alaska's oil industry.

- It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.

Thank you for your consideration, and I urge you to support a tax policy that will balance incentives for new developments with fair and equitable taxes.

Andy Bond

10.

From: Michael Ferris
Date: March 1, 2017 at 12:47:34 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>
Cc: "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>, Michael Ferris <Mike@aesalaska.com>
Subject: HB 111

Dear, House Resources Members and Alternates

As a small business with offices in Anchorage and Fairbanks I see every day how important the oil industry is to Alaska. I only have 9 employees and do not represent a huge business but I am vested in Alaska and it economy.

HB 111 would be the 6th change to our oil and gas taxes in the last 11 years. If any of you have run a small or large business you know how important it is to have some stability in your business planning. We need to project a healthy business environment for the largest producer of revenue in our state not a constantly changing environment.

We saw last year for the 1st time in many, many years an increase in oil production. I urge you to work on ways to help the oil industry continue to increase production to generate revenue for the state and not to increase taxes on the oil industry.

Sincerely

Michael S. Ferris

Owner Alaska Enterprise Solution

11.

From: David Hart

Date: March 1, 2017 at 12:07:01 PM AKST
To: "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>
Cc: David Hart <
Subject: Oppose HB111

Representative Johnson,

I have lived in Alaska and worked in Alaska's oil and gas industry since graduating from college in 1990. I have worked for Caelus Energy Alaska and its predecessor Pioneer Natural Resource Alaska for 12 years, the last 7 of which as Operations and Production Manager for Alaska. I have seen first-hand the success possible from state incentives provided to smaller producers like Caelus and Pioneer. Unfortunately, more recently I have experienced the challenges our industry faces in acquiring funding for our new developments such as Nuna and Smith Bay when the state Legislature too often changes tax policy and fails to incentivize smaller independent producers.

I oppose HB111, as I believe it will deter the additional investment our state so dearly needs to increase production.

The Resource Development Council has prepared a very thorough list of reasons why the tax increases of HB111 will chase away investment from Alaska:

- Alaska is competing against other states that are booming with the increase in oil prices.

- Alaska cannot compete against these other low cost areas by increasing taxes.

- While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones.

· In the long run, increasing taxes on the industry will do more harm to Alaska’s economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

· The oil industry has traditionally accounted for 88 percent of Alaska’s General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state’s unrestricted revenues and supports one-third of our economy.

· Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

· The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska’s oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

· Under the current oil tax system, Alaska’s share is higher than the producers’ at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

· Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

· New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

- The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

- Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy.

- Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

- In 2016, the Legislature passed House Bill 247, a major piece of oil tax legislation. That bill phased out tax credits in the Cook Inlet, and sunsetted exploration credits on the North Slope, among other changes. The full economic impact of this legislation has yet to be understood. Introducing yet another tax bill before seeing how the current law is performing is short-sighted, and could jeopardize recent gains achieved in Alaska's oil industry.

- It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.

Thank you for your consideration, and I urge you to support a tax policy that will balance incentives for new developments with fair and equitable taxes.

Thank you,

David Hart

Anchorage, Alaska

12.

From: Dom A <dom.armitage@gmail.com>
Date: March 1, 2017 at 11:00:25 AM AKST
To: <Representative.Andy.Josephson@akleg.gov>, <Representative.Geran.Tarr@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummond@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <Representative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: No to HB111

Dear Representatives,

Please take a moment to consider my opinion. As an employee for a major oil company with a large presence in Alaska, my opinion may be construed as biased; however, I would like to present a balanced, data-supported argument for not passing HB111.

The company brought me here and if there is not enough work to do the company will take me away. I appreciate there is no state income tax, but I spend plenty of money locally. I support the local economy, which I appreciate is weakening. I understand that every oil company job supports about 20 jobs in the State economy. There is a budget deficit and Big Oil is an easy target. Big Oil, just like the State and many other oil-dependent industries, has suffered immensely over the last few years. A lot of good people have been walked out the door and our budgets cut to unsustainable levels.

It must be appreciated that Alaska is at the upper end of the cost of supply curve for the company. Increasing taxes on our North Slope business will create doubt about our future competitiveness. To me, it appears as if the oil industry is increasingly being penalized, instead of encouraged, for doing businesses in Alaska. Less investment will be more damaging in the long run. Please exercise foresight, not shortsightedness. If passed, this would be the seventh oil tax law change in 12 years. Stability matters and garners confidence in the Government.

My viable solution would be to implement an income tax and/or slash the PFD and, indeed, use the fund to cover part of the deficit. Please appreciate that the majority of the principal is from oil tax anyway. The State should not want to encourage the oil industry to invest elsewhere. Historically, the oil industry has provided about 88% of the State's General Fund, today it stands at 67%.

Passing HB111 will as much as double the SB21 tax rate when oil prices begin to recover. The current SB21 rate has spurred increased investment, production, jobs, and revenue to the State. Let it continue to work.

Yours sincerely,

Dominic A Armitage, Ph.D.

13.

From: Paul Glavinovich

Date: March 1, 2017 at 10:30:43 AM AKST
To: <Representative.Geran.Tarr@akleg.gov>, <Representative.Andy.Josephson@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummon@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <Representative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: HB 111

FOR THE RECORD

To the Chair(s) and Members of the House Resources Committee:

Notwithstanding the price induced decline in revenue from Alaska's oil production, the State's economy remains strongly dependent upon this industry and revenues therefrom for well into the future. While we should anticipate an increase in the price of oil in the next several years, we cannot depend on such an increase to produce the revenue stream that Alaska has enjoyed in the recent past. To increase revenue from the State's oil production one has to increase production and that can only be induced by creating and maintaining a stable and competitive investment climate for the oil producers. We have recently been informed of two new major oil discoveries on the North Slope. It will take several years to convert said discoveries into commercial production and then only if they can viably compete within the global economy. House Bill 111 jeopardizes that opportunity. HB 111 also sends a signal to other explorers that they cannot depend upon a stable and consistent investment climate in Alaska.

I ask that the House Resources Committee revisit HB 111 within the context of the long term negative impact(s) that the proposed legislation will have upon the overall fiscal well-being of this state.

Respectfully,

Paul S. Glavinovich

Anchorage, AK

14.

From: Lanston Chinn
Date: March 1, 2017 at 6:41:43 PM AKST
To: Jesse Logan <Jesse.Logan@akleg.gov>
Subject: RE: Oil and Gas Legislation: HB111

Jesse –

Thanks for the email. I see our partners through Kuukpik/SAE have commented. Kuukpik Corporation is supportive and stands behind the JV's stated position(s).

Kuukpik Corporation has been conducting business with the oil and gas industry for over 25 years. During this period Kuukpik has experienced oil prices in the single digits as well as oil being over $100 a barrel. In both instances, increasing taxation at the State level on Industry has never boded well for Alaska.

The State of Alaska more than ever is in need of the revenues, jobs, and business opportunities the Oil and Gas Industry can bring by encouraging thoughtful and balanced development. This is not the time to essentially "penalize" by far the largest industry in the State by dramatically cutting tax credits and increasing taxation. This is contrary to the State's own economic well-being and is counter-productive. Organizationally, Kuukpik Corporation learned to "tighten its belt" in the lean times while "sharing in the upside" when prices and productivity are on the upswing. In this respect industry has kept its word.

It is time for the State of Alaska to work with the Oil and Gas Industry in forging stable, reliable policy(s), going forward.

Lanston Chinn, CEO

Kuukpik Corporation

15.

From: Galen Nelson
Sent: Wednesday, March 01, 2017 9:45 AM
To: Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Subject: No on HB111

Representative Westlake-

I'm writing in hopes that you will take a hard look at the proposed new taxes on the Oil industry. I'm a lifelong Alaskan and have worked in the industry for over 10 years. In that time I have witnessed I believe 6 tax policy changes. I have had to leave my job in town and work on the slope when ACES got passed, (with a pregnant wife at home). Luckily I have been able to stay gainfully employed through the good and bad times. This time may be different, the company I currently work for is Caelus Energy and we are a small Independent that was incentivized to acquire and explore in Alaska because of SB21. Since the acquisition in 2014 we have invested hundreds of Millions into the state by starting our Nuna project, we were responsible for the biggest single state land lease purchase in Alaska's history, explored where few have in recent times. All of this puts money back in Alaskans pockets, businesses grow and the state eventually gets their "investment" back.

I'm sure you have heard of our discovery in Smith Bay, the 2 wells we drilled last winter could yield an amazing increase to TAPS and to the state. We're thinking in the neighborhood of 200,000 bopd when fully operational. We executed these wells flawlessly and with the hopes to be out there this winter for an appraisal well. The tax credits promised to us have been in the form of an "IOU". This is a huge problem not only for capital reasons but more importantly for investment reasons, as a small company we survive on getting investment dollars from outside. With the tax structure changing about every other year it makes investors look for more stable tax environments. We are one of many across the slope that have discovered resources that would turn the downward trend of taps for the last >10 years in the right direction.

This letter is just a long winded way of saying I want to keep my job. I fear if the taxes change any more that are not in favor of development and exploration we will end up being sold, have more layoffs or shutting completely down. We laid our rig down last year and had to lay off ~25% of our direct hire workforce partly because of HB247, HB111 could be the knockout punch. None of that is good for the state, I know we are in financial hard times but I fear if we are shortsighted and tax the already burdened industry we will lose in the long run.

Galen Nelson

Logistics Supervisor

Caelus Energy Alaska, LLC

16.

From: Sydney Deering
Sent: Wednesday, March 01, 2017 1:48 PM
To: Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Subject: HB-111 Concerns

March 1, 2017

Dear Rep. Westlake,

The future of the oil industry is important to all Alaskans. But there is one group it is not just important to, *it is critical*. We are the petroleum engineering students. It is rare that we, as a group, partake in the legislative process. We rarely have time or feel as younger adults our opinions will matter.

Oil companies are businesses. A basic principle of running a successful business is to not operate at a loss. As the price of oil decreases, the income of these businesses decreases. The cost of operation, on the other hand, does not decrease proportionally. This means the profits decrease, and what we have seen is that this decrease is significant enough becomes a loss. We all feel the effects of this.

So what are we going to do? Some have proposed: "Lets increase the operating cost of the oil companies by increasing taxes and making the loss for a company larger! This will increase the income for the state regardless of the fact the production and business climate of Alaska will become even more difficult to survive in. This won't affect the production and exploration in Alaska."

It is not going to work. It is not a responsible approach to encouraging hydrocarbon production in Alaska and an unfavorable production climate will only lead to a worsening of the financial problems we are already facing.

"But it's our oil." While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and makes expanding existing fields and discovering new accumulations improbable, and for smaller companies, impossible. In the long run, increasing taxes on the industry will do more harm to Alaska's economy. In my opinion, it is penny wise and pound foolish. A state, a company, or an individual, cannot control the price of oil, but we can control what kind of business climate we create in Alaska. New oil discoveries by ConocoPhillips, Caelus, and Armstrong have the potential to add up to 550,000 barrels per day to the pipeline. Caelus came to the University of Alaska Fairbanks and gave a presentation on their recent discoveries to the engineering students. Their message was very clear. These reservoirs will not move towards

production unless a stable, reliable, and financially feasible tax structure is adopted. It was a very eye-opening and sobering presentation.

I chose petroleum engineering because I want to work in Alaska and contribute to the state in a meaningful way. If the trend of taxing the oil companies dry continues, you will eventually run out of companies to tax. This means it will become increasingly difficult for me have a job here and significantly impacts my future in Alaska, as well as the futures of my fellow students. HB-111 would directly affect our lives and not for the better.

I implore you to make a decision to encourage oil and mineral production in Alaska to the utmost of your ability. Our state is rich in resources beyond our dreams and I believe locking them up with burdensome and prohibitive taxes and regulations at the bidding of a few squeaky wheels would severely hurt our economy and our people for generations. Alaska has the opportunity to be a world header in responsible resource development. Please place your vote in favor of development. When companies that pay taxes win, we all win.

Sincerely,

Sydney E Deering

Fairbanks AK, 99709

17.

From: Diana Kuest
Sent: Thursday, March 02, 2017 11:31 AM
To: House Resources <lhsres@akleg.gov>
Subject: Opposed to HB111

Enough is enough! Every year the legislature introduces this type of bill for tax purposes to the state and argues the permanent dividend fund for about 60 days of wasted effort. STOP what you do with this issue and look to create new industry in the state.

If you want a more broad responsibility of tax to communities, look to the UNORGANIZED BOROUGHS and begin organizing them to pay their way in this state. The organized boroughs pay their way and the unorganized boroughs do not, but do deplete the state coffers for every conceivable problem they can push on to the responsible boroughs and state to take up their end of paying for services.

Quit getting into the oil company issue and start with the organization of the boroughs that do nothing but deplete coffers of the state and resources of the state. I oppose SB111.

Diana Kuest, Registered Voter of Alaska and Long Term Resident