

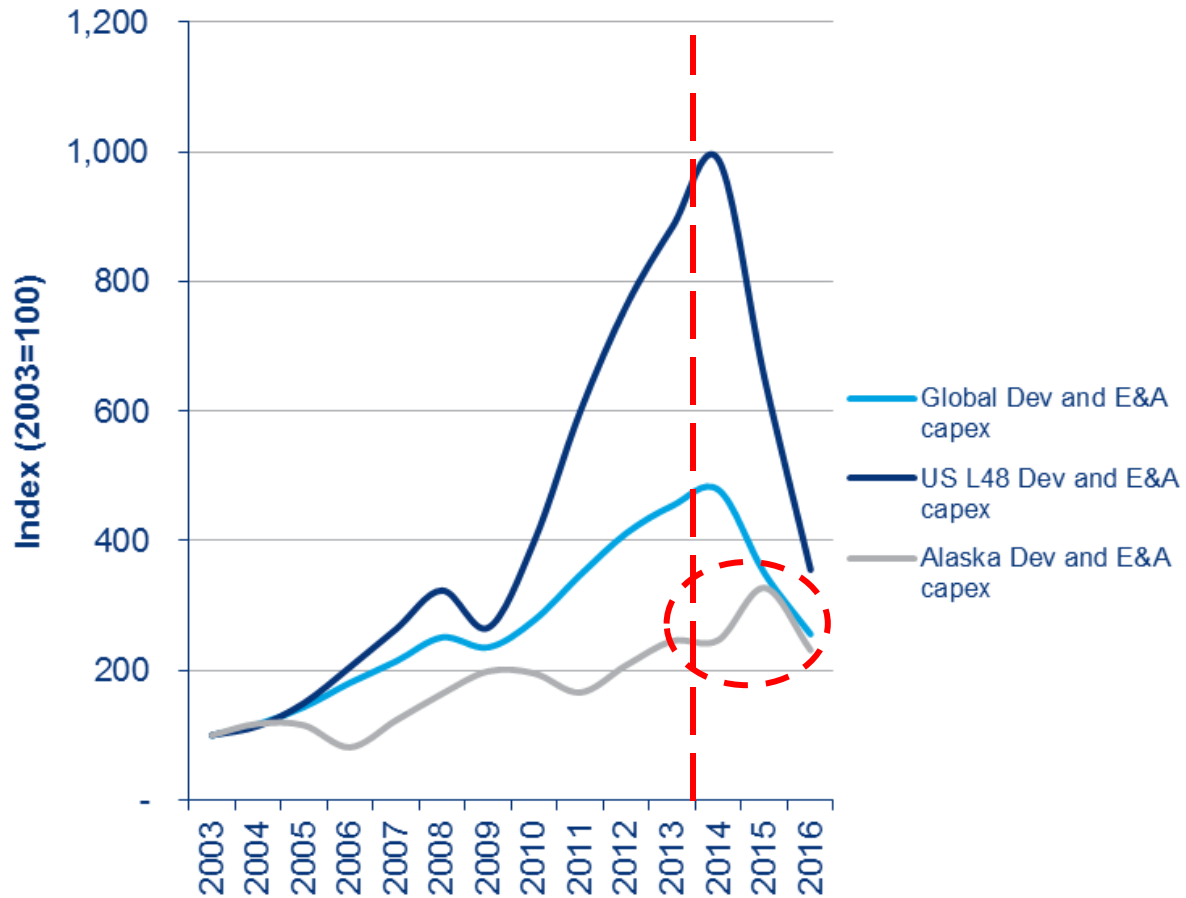
BP testimony: March 22, 2017
HB 111(N)
House Finance Committee





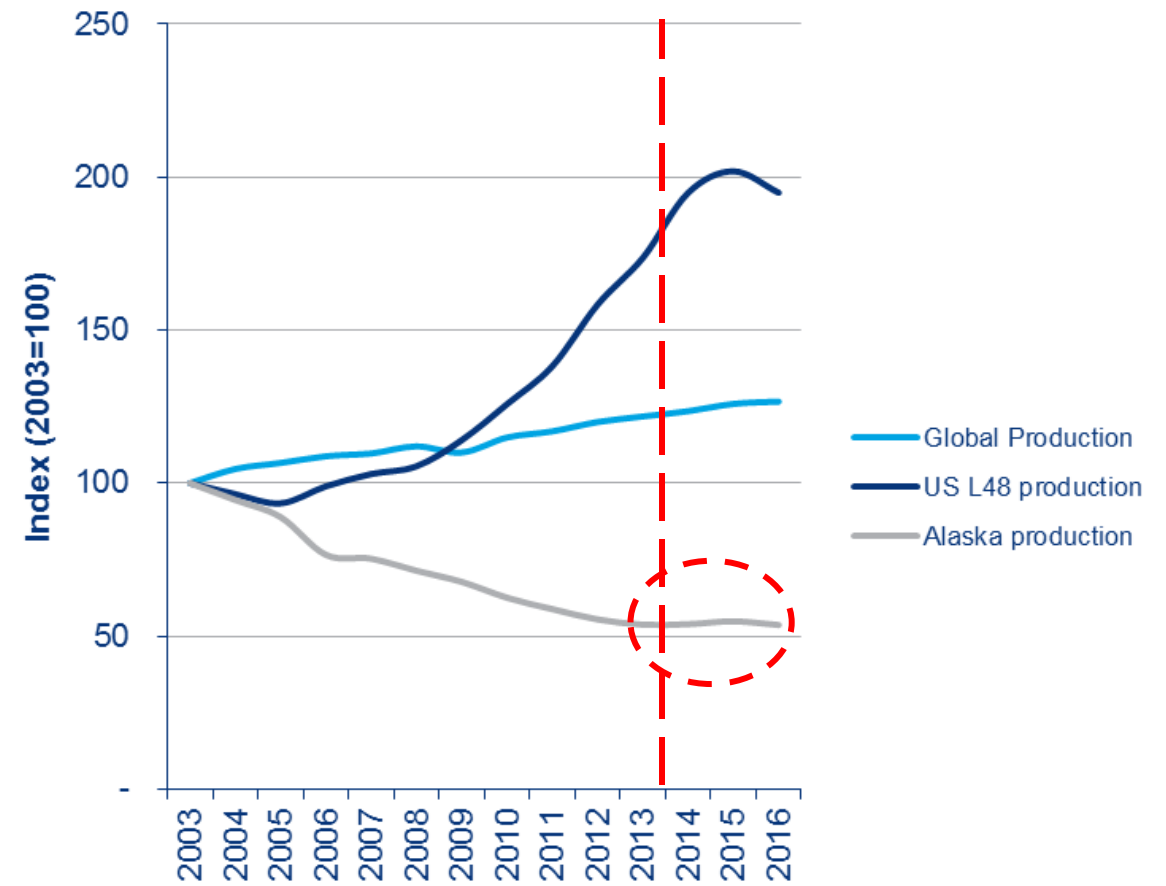
Relative Investment & Production Trends

Investment trends by region



Source: Wood Mackenzie

Production trends by region

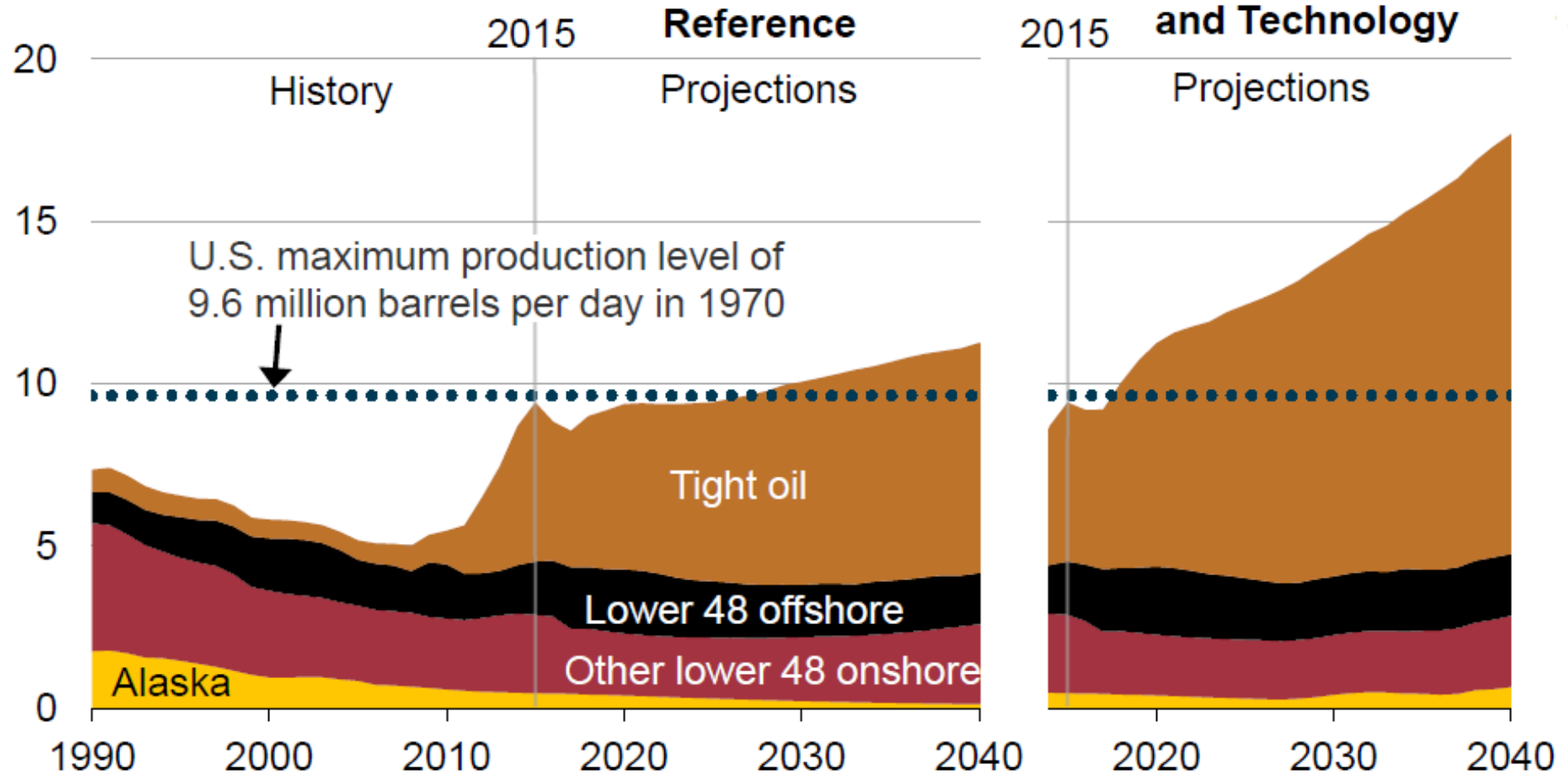


Source: Wood Mackenzie

Alaska – How do we Stack up?



U.S. crude oil production
million barrels per day

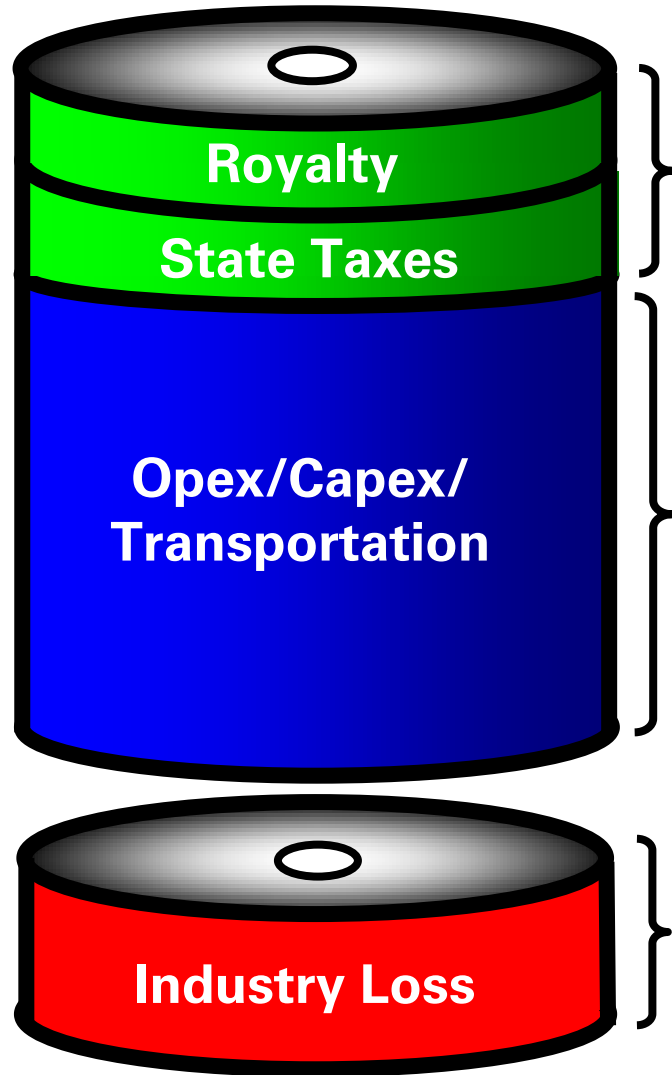


Source: EIA, Annual Energy Outlook 2016

Distribution one barrel in Alaska



Example at \$43 per barrel



Alaska State Revenue \$7

Production Costs \$48 (Total, not only deductible)

(\$12) Industry Loss

Suggested Principles for Alaska Policy



- Encourage more oil down TAPS

HB 111N



- Extend the life of backbone fields - Prudhoe Bay & Kuparuk

HB 111N



- Encourage more independents looking for oil and gas

HB 111N



- Don't pick winners and losers

HB 111N



Examples of BP concerns with HB 111N



- **Section 14 – The Per Barrel Credit - The “New Drillsite killer”**
 - Reduces incentive for production, which offset SB 21 tax increase to 35%
 - A signal that legislature wants policy that discourages new production
- **Section 26 – New DNR process - The “investment decelerator”**
 - New DNR process will require companies to submit all spend for review and approval
 - Will companies be kept whole if regulatory process results in project delay and value impact to companies?
 - Unclear what DNR view is on Section 26

Questions?



Pioneering the Past, Fueling Alaska's Future