

An offshore oil rig is shown at sunset or sunrise, with the sun low on the horizon creating a bright glow and reflecting on the water. The rig is a large, dark structure with a tall derrick and various pipes and tanks. The sky is a mix of blue and orange. The water is dark and calm. The overall scene is industrial and serene.

Alaska's Oil and Gas Competitiveness Review Board

Update Report to Senate Resources

February 1, 2017

Overview

- ▶ History of the Oil & Gas Competitiveness Review Board (OGCRB)
- ▶ Future Deliverables from the OGCRB
- ▶ Cook Inlet and Middle Earth under HB247
- ▶ Deliverables update

Oil and Gas Competitiveness Review Board

- ▶ Formed as part of SB 21
- ▶ Created to
 - ▶ Establish and maintain salient data regarding oil and gas exploration, development, and production
 - ▶ Advise the Alaska Legislature on the state's fiscal system, labor pool, and regulatory competitiveness
- ▶ Comprised of:
 - ▶ 2 public members
 - ▶ 3 administration department heads
 - ▶ 1 commissioner from the Alaska Oil and Gas Conservation Commission
 - ▶ 3 oil and gas subject matter experts
 - ▶ 2 industry trade group representatives
- ▶ Initial report was delivered to the legislature in March 2015 comparing Alaska's competitiveness to oil and gas producing peers around the world

Oil & Gas Competitiveness Review Board

PREVIOUS BOARD MEMBERSHIP

NAME	APPOINTED	RESIGNED/CHANGE	REASON
Hendrix, Tom Non-Profit Trade Association	7/1/2014	October 2015	Professional Commitments
Merrick II, Joseph Public	7/1/2014	September 2015	Professional and Personal Commitments
Foerster, Cathy Chair of AOGCC/Designee	7/1/2014		*CURRENT MEMBER*
Rodell, Angela Commissioner/Revenue/Designee	7/1/2014	December 2014	Administration Change (position has been filled with the appropriate staff per statute)
Balash, Joseph Commissioner/Natural Resources/Designee	7/1/2014	December 2014	Administration Change (position has been filled with the appropriate staff per statute)
Maloney, Tom Public Financial Analyst	7/1/2014		*CURRENT MEMBER*
Moriarty, Kara Non-Profit Trade Association	7/1/2014		*CURRENT MEMBER*
Brown, Rodney Public	7/1/2014	July 2015	Personal Commitments
Ryan, Kristin Commissioner/Environmental Conservation/Designee	7/1/2014		*CURRENT MEMBER*
Stokes, Pete Public/Petroleum Engineer	7/1/2014	July 2015	Professional Commitments (suggested Tom Walsh as a new member)
Freeman, Curt Public/Geologist	7/1/2014	September 2015	Professional Commitments

Oil & Gas Competitiveness Review Board

CURRENT BOARD MEMBERSHIP

NAME	APPOINTED	REAPPOINTED	EXPIRES
Ford, G. Wyche Non-Profit Trade Association	3/14/2016		7/1/2018
Beltrami, Vincent Public	10/26/2015		7/1/2017
Foerster, Cathy Chair of AOGCC/Designee	7/1/2014	4/19/2016	
Hoffbeck, Randall Commissioner/Revenue/Designee	12/16/2014		
Mack, Andrew Commissioner/Natural Resources/Designee	7/1/2016		
Maloney, Tom Public Financial Analyst	7/1/2014	7/1/2016	7/1/2020
Moriarty, Kara Non-Profit Trade Association	7/1/2014		7/1/2017
Pawlowski, Bob Public	3/14/2016	7/1/2016	7/1/2020
Ryan, Kristin Commissioner/Environmental Conservation/Designee	7/1/2014		
Walsh, Tom Public/Geologist	3/14/2016		7/1/2019
Van Dyke, William Public/Petroleum Engineer	6/21/2016		7/1/2019

Future Deliverables

- ▶ Next deliverable was due January 15, 2017: Provide written findings and recommendations regarding:
 - ▶ The state's tax structure and rates on oil and gas produced south of 68 degrees North latitude;
 - ▶ A tax structure that takes into account the unique economic circumstances for each oil and gas producing area south of 68 degrees North latitude;
 - ▶ A reduction in the gross value at the point of production for oil and gas produced south of 68 degrees North latitude that is similar to the reduction in gross value at the point of production in AS 43.55.160(f) and (g); and
 - ▶ Other incentives for oil and gas production south of 68 degrees North latitude.
- ▶ Final statutorily required deliverable due January 31, 2021: Provide written findings and recommendations regarding:
 - ▶ Changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;
 - ▶ Alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources; and
 - ▶ A review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years.

Cook Inlet Tax Structure Changes

Provision	Prior Tax and Credit Provisions	After House Bill 247
Base tax rate (applied to PTV).	35%	No change.
Tax Ceiling - oil.	\$0/bbl (oil production tax free) ceiling expires 2022	\$1.00/bbl permanent tax ceiling
Tax Ceiling - gas.	Average 17.7 cents/mcf, ceiling expires 2022	Average 17.7 cents /mcf permanent tax ceiling.
Qualified Capital Expenditure (QCE) Credit.	20% of eligible expenditures.	Reduced to 10% on Jan. 1, 2017, then repealed Jan. 1, 2018.
Well Lease Expenditure (WLE) Credit.	40% of eligible expenditures.	Reduced to 20% on Jan. 1, 2017, then repealed Jan. 1, 2018.
Net Operating Loss (NOL) Credit.	25% of loss.	Reduced to 15% on Jan. 1, 2017, then repealed on Jan. 1, 2018.
Exploration Tax Credits.	30% or 40% for qualifying exploration. expired July 1, 2016	No change

Middle Earth Tax Structure Changes

Provision	Prior Tax and Credit Provisions	After House Bill 247
Base tax rate (applied to PTV).	35%	No change.
Tax Ceiling.	4% of gross value for first seven years if production begins before 2027.	No change.
Capital, Well Lease, Net Operating Loss Credits.	Same as Cook Inlet (20% QCE, 40% WLE, 25% NOL).	Rates reduced Jan. 1, 2017 (10% QCE, 20% WLE, 15% NOL) Credits maintained at reduced rates.
Exploration Tax Credits.	30% or 40% for qualifying exploration, expires Jan. 1, 2022. For work performed prior to July 1, 2016, qualifying new areas qualify for 80% credit for wells and 75% credit for seismic.	30% or 40% for qualifying exploration, expires Jan. 1, 2022. For qualifying new areas, 75% credit for seismic sunsets July 1, 2016, but 80% well credit applies to wells drilled or spudded prior to July 1, 2017.

January 15, 2017 Deliverable Status

“Due to passage of HB 247 this past legislative session, which over the next two years will phase in significant changes to the oil and gas tax credit and tax system in Cook Inlet and Middle Earth, the Oil & Gas Competitiveness Review Board is recommending an extension to this report deadline to January 15, 2019. This extra time would allow for a full review of the impacts of the recent tax and credit changes prior to submission of the report. The Board respectfully requests your consideration for this extension.”

Report Extension and Resource Access Request for the Oil & Gas Competitiveness Review
Board 12-20-2016

January 15, 2021 Deliverable Status

- ▶ AOGA has commissioned Wood MacKenzie to perform a competitiveness study on the competitiveness of the Alaska Tax Regime
- ▶ DNR/DOR are in process of commissioning a similar study using a similar scope of work and similar deliverables
- ▶ OGCRB has been asked to provide a third party analysis of the studies to delineate similarities and differences in the study conclusions (this request has not yet been presented to the full board)

THANK YOU

For additional information please contact:



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O&GCR Board Website Location:

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