

# Refinery Tax Credits Delivered for Alaskans



Petro Star Inc., a wholly owned subsidiary of Arctic Slope Regional Corporation (ASRC), is the only Alaska-owned refiner. With refining facilities in North Pole and Valdez, it is one of only two companies still operating commercial refineries in Alaska. ASRC made significant capital investments and accrued tax credits from the State of Alaska to upgrade these facilities and deliver value for Alaskans.

Today, Petro Star takes Alaska's royalty crude oil and produces heating oil, commercial and military grade jet fuels, asphalt, and ultra-low sulfur diesel fuels, as well as turbine fuels in partnership with Copper Valley (CVEA) and Golden Valley (GVEA) electric associations.

Over a five-year period, ASRC invested nearly \$120 million in qualifying Instate Refiner capital improvements through Petro Star - including the Asphalt Production Unit in North Pole and the Naphtha Splitter dedicated to Golden Valley.

These investments benefit Alaska consumers, businesses and the State by reestablishing asphalt production in the Interior, preserving competition (fuel sales) at the Port of Alaska, producing low cost fuels for GVEA and its members, and generating significant new freight business for the Alaska Railroad. Absent the State's commitment to pay these refundable credits, it is doubtful that the ASRC leadership would have approved this level of capital deployment at Petro Star.

## State of Alaska Royalty in Kind (RIK) Oil

As a buyer of a portion of the state's royalty oil, Petro Star adds additional revenues to Alaska's general fund. Petro Star currently purchases approximately 10,000 barrels/day of RIK oil, which according to the Department of Natural Resources' 2021 Best Interest Finding, provides for an RIK differential of \$2.17/barrel. This is within the range of what the state would have otherwise received had it taken the barrels in value (Royalty in Value or RIV), and represents **\$7.9 million of annual revenue to the state**. That revenue is made possible by Petro Star and ASRC's continuing operations and commitment to Alaska residents and businesses.



**10,000 barrels**  
per day of RIK oil purchased



**\$2.17/barrel**  
RIK differential



**\$7.9 million**  
resulting annual revenue to the state

## Asphalt Production Unit

In 2016, Petro Star commissioned a new asphalt production unit at its North Pole Refinery, representing a significant investment by Petro Star and its parent company, ASRC. At its peak, the project created over one hundred temporary construction jobs, as well as eight new full-time positions at the refinery. The asphalt unit addressed an immediate need created by Flint Hills' closure in Spring 2014, and restored a local source of supply for asphalt oil in the Interior.

Through local supply, the high transportation and handling costs associated with trucking asphalt to Interior project sites is avoided and the State of Alaska – as the largest consumer of asphalt oil – is the primary beneficiary.

Petro Star has been the top supplier of asphalt oil statewide since 2017, selling approximately 91,000 tons through August, 2021. Roughly 80 percent of this asphalt production went to regions where supply from Nikiski can add up to approximately \$130/ton in additional shipping and handling costs, **resulting in an estimated savings of at least \$8.5 million.**

Additionally, Petro Star believes the asphalt oil sold from its North Pole Refinery and destined for Central Alaska has preserved a competitive market in this region, resulting in further savings to consumers. While the State of Alaska does not typically purchase asphalt oil directly, these savings are passed on through companies providing contract paving services.



**91,000 tons**  
of asphalt sold from  
2017 – Aug. 2021



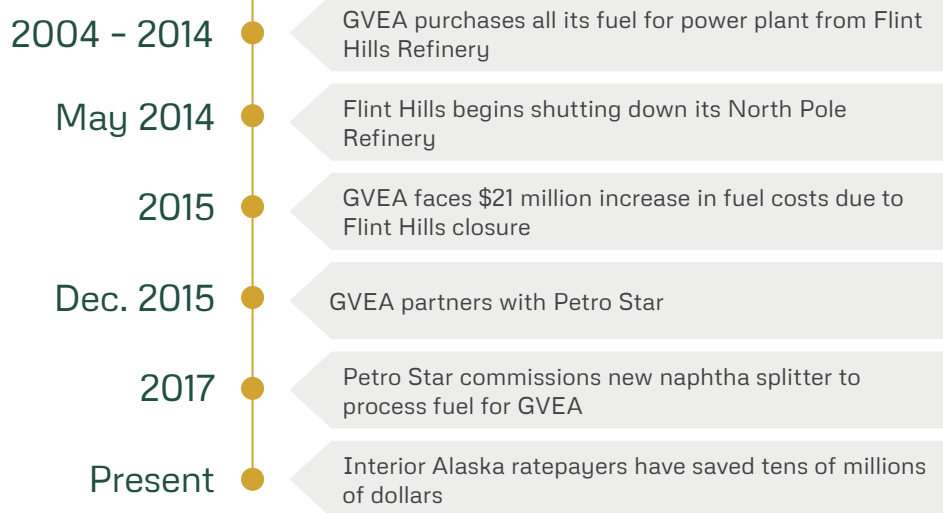
**80%**  
sold to regions that saved  
~\$130/ton on transportation  
+ handling



**\$8.5 million**  
estimated savings by  
supplying from North Pole  
Refinery instead of Nikiski

## Naphtha Splitter

In 2017, Petro Star commissioned a new naphtha splitter dedicated to producing turbine fuel for Golden Valley Electric Association's (GVEA) LM6000 gas turbine generator. The new turbine fuel is both a lower-cost and lower-sulfur fuel supplied through a long-term agreement with GVEA. Petro Star estimates this project will have saved Interior ratepayers tens of millions of dollars through the end of 2021. This savings is on top of substantially higher fuel costs GVEA avoided when Petro Star stepped in to replace Flint Hills as GVEA's fuel supplier.



To date, the tax credits Petro Star earned are still outstanding. Without those incentive for capital projects, these investments would not have been possible, and the Interior would continue to face increasing electricity prices and higher costs for its paving projects.

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