



AOGA

**OIL & GAS:
FUELING
ALASKA'S
ECONOMY**

**Senate Finance
Committee**

**March 16, 2012
Kara Moriarty, Executive Director**

AOGA Member Companies

PIONEER
NATURAL RESOURCES ALASKA



Apache



ExxonMobil



petroleum



Decoupling – Sections 5 & 11 of CSSB 192 (RES)

- AOGA Opposes Proposed Language
- Proposed Language results in a tax increase
- Recognize need to eventually resolve the concern that combining the value of gas with that of oil when significant gas sales occur will reduce the tax on the oil, unless they are decoupled.
- AOGA open to trigger mechanism, but reserve right to evaluate proposed language

AOGA Opposes CSSB 192 (RES) – March 16, 2012

Petroleum Information Management System

Sections 2 & 3 of CSSB 192 (RES)

- New section would blur the current clear authorities & accountability of DOR (Taxation Power) & AOGCC (Police Power)
- Could lead to companies providing the same information over and over or in different formats to different agencies
- Proprietary/confidential information may not be adequately safeguarded
- Creates unrealistic expectations about public access to certain specific kinds of information
- May create federal disclosure issues

AOGA Opposes CSSB 192 (RES) – March 16, 2012

Progressivity & “base” tax rate Sections 5, 7, and 8 of CSSB 192 (RES)

- 25% base rate is too high
- CS does not provide brackets – brackets are meaningful
- CS lowers starting slope by merely 1/8
- The new cap will not be reached until approximately \$244/barrel

AOGA Opposes CSSB 192 (RES) – March 16, 2012

New Minimum Tax – or “Floor” **Section 13 of CSSB 192 (RES)**

- Only applies to legacy fields (Prudhoe & Kuparuk)
- Creates a disincentive to invest in legacy fields, especially at low prices
- Requires allocation of costs among the two fields & a producer's interest in their other fields

AOGA Opposes CSSB 192 (RES) – March 16, 2012

Summary

- AOGA Opposes CS SB 192 (RES)
- Overall government take for Alaska would still be too high under this CS
- AOGA supports meaningful changes – such as progressivity brackets
- Tax Policy does affect business decisions
- CS will not improve ability to attract more investment
- CS will not lead to more production

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