



BP Testimony to Senate Finance

(as corrected 4-10-12)

Damian Bilbao, Head of Finance, Developments and Resources

Tom Williams, Senior Tax & Royalty Counsel

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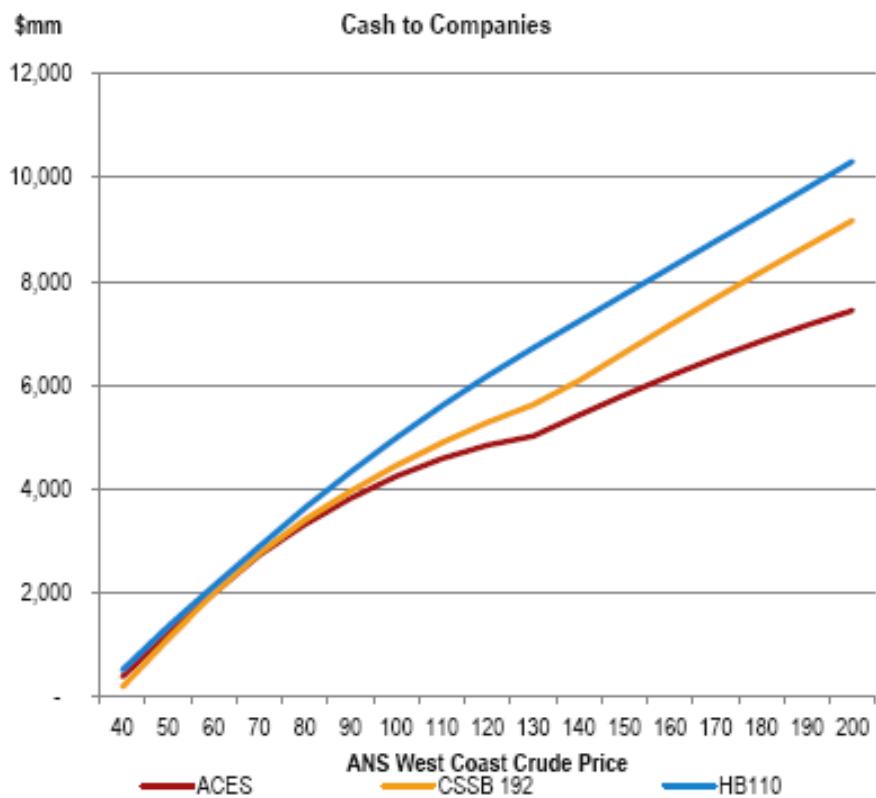
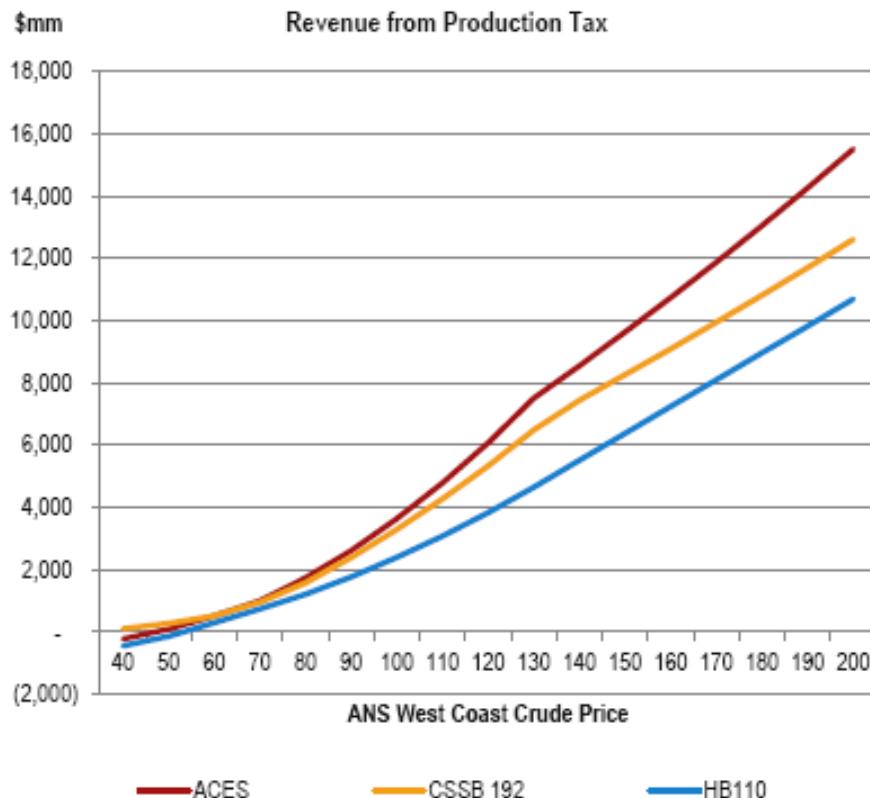


Key Messages

- CSSB 192 (Fin):
 - is a **tax increase** that will cause us to re-evaluate existing activity plans
 - is **not meaningful** and will **not** lead to more investment
 - likely to create **misalignment between producers** that slows/stops activity
 - creates **more disincentive than ACES** to invest in the long-term



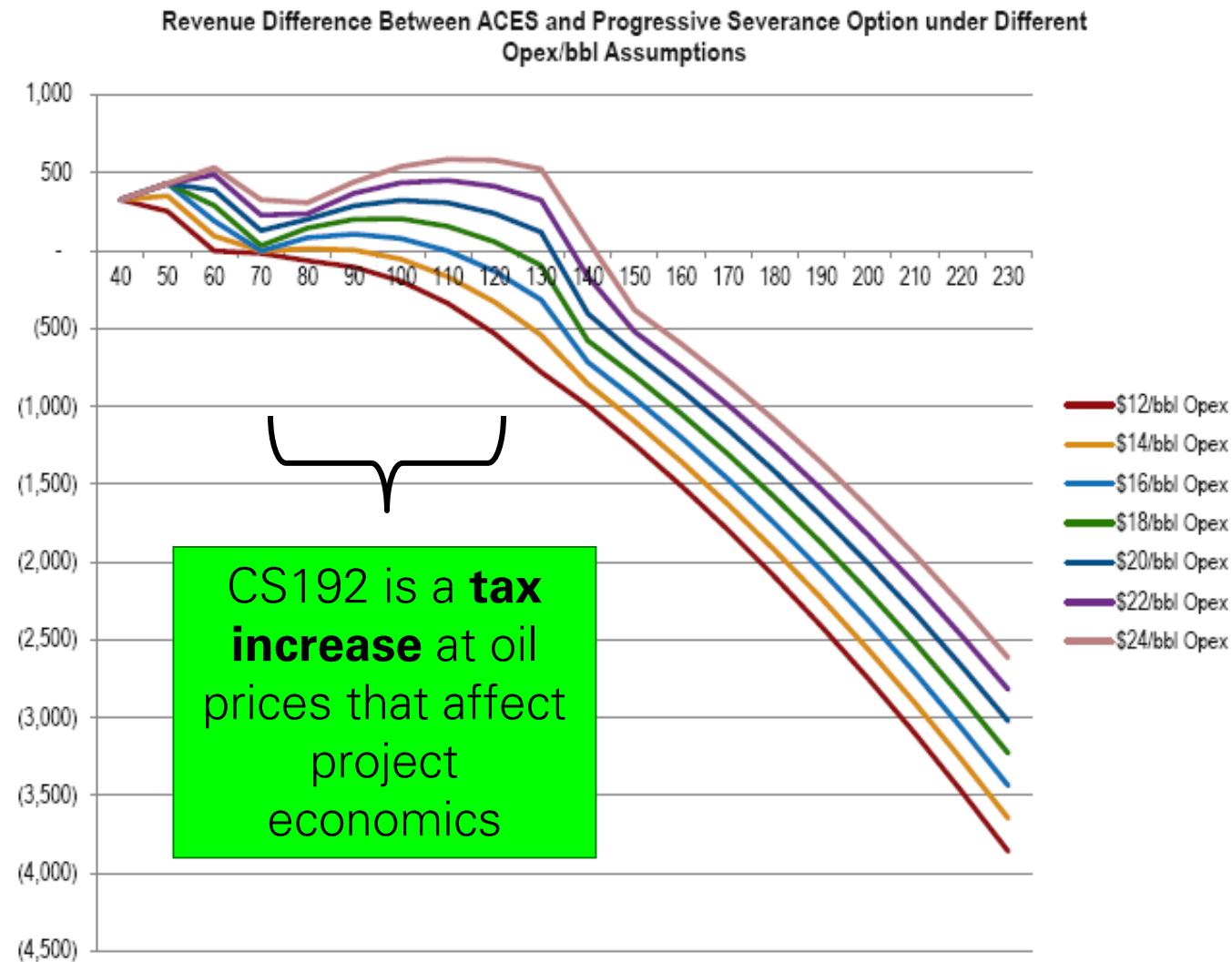
CSSB 192(T) Will Not Draw More Investment



And CSSB 192(O) is less attractive



CSSB 192(O) is a Tax Increase





Unintended Consequences

Incremental Production Incentives		
Issue	Concept	Impact to the state
Economic risk	Existing production from the legacy fields is the foundation for North Slope present and future; SB 192 penalizes the base business	Weakens the foundation of the Alaska economy
Likely misalignment between producers	SB 192 provides each producer with a different production target; creating misalignment around projects	Delay of short-term projects
Short versus Long-term focus	SB 192 provides a financial incentive to shift effort and resources away from long-term projects in support of short-term rate	Delay of long-term projects



What does meaningful look like

EFFICIENCY

+

TECHNOLOGY

+

TAX CHANGE

=

PRODUCTION GROWTH

SB192-O

Oil Progressivity Table		
Price	Cumulative Rates	Progressivity Rate
Base Tax	25.0%	-
\$60.00	-	0.27%
\$120.00	16.2%	0.03%
\$246.67	20.0%	

Meaningful Tax Change

Oil Progressivity Table		
Price	Cumulative Rates	Progressivity Rate
Base Tax	22.5%	-
Min Tax	5.0%	
\$80.00	-	0.20%
\$130.00	10.0%	0.10%
\$180.00	15.0%	-

No alternative provides meaningful tax change with a 25% base rate