

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version:	HB 276
Fiscal Note Number:	1
(H) Publish Date:	1/18/2024

Identifier: 0381-DNR-DOG-01-16-24
Title: REDUCE ROYALTY ON COOK INLET OIL & GAS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Natural Resources
Appropriation: Oil & Gas
Allocation: Oil & Gas
OMB Component Number: 439

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2025	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2025) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Initial version, not applicable

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Date: 01/16/24

FISCAL NOTE ANALYSIS

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Analysis

This bill amends the 10-year five percent royalty discount on certain Cook Inlet oil and gas fields program found in AS 38.05.180(f)(5) and modifies the program to include new production in Cook Inlet, regardless of discovery date, and removes limits on eligible volumes of oil or gas during the 10-year period of reduced royalty. Eligibility is subject to determination by the Department of Natural Resources (DNR) commissioner, rather than being automatic.

The current statute grants a five-percent royalty rate for oil or gas produced for sale for the first 10 years but is limited to six Cook Inlet fields discovered before 1988 and provides a deadline of January 1, 2004 for start of production (in AS 38.05.180(dd)). The statute limited the eligible volume to the first 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that field.

Operating Expenditures:

The Division expects to implement this bill with existing resources and does not anticipate requiring additional funding.

Change in Revenue:

The changes to revenue are indeterminate. While the Division expects that companies are more likely to make investments in new Cook Inlet production under this bill than without the changes proposed in this legislation, the timing and scale of those investments, as well as the time to bring new production online are not certain and would affect changes in revenue to the State. Generally, while the bill reduces the State royalty on eligible new production, modeling by the Division indicates that the new production is less likely to occur without the proposed royalty rate modification.