



A Petro 49 Inc. Company

May 1, 2023

The Honorable Cathy Giessel
The Honorable Click Bishop
Senate Resources Co-Chairs
120 Fourth Street
State Capitol, Rm. 3
Juneau, Alaska 99801-1182

Re: Amendment to Senate Bill No. 137

Dear Senators Giessel and Bishop:

As the President and Chief Executive Officer of Petro Marine Services (PMS), I am writing to bring to your attention a concern with the list of exemptions to the refined fuel surcharge contained in AS 43.400.005(b). Senate Bill No. 137 contains an increase of the refined fuel surcharge from \$.0095 to \$.015 per gallon.

While PMS has no position on the advisability of the proposed increase, I am concerned about the impact of the surcharge on the competitive standing of our company and other U.S. companies bringing fuel through Southeast Alaska for delivery and use in Canada.

PMS delivers fuel to Skagway "in-bond" as far as U.S. Customs regulations, which is then transported by truck for sale in Canada. Another U.S. company does a similar movement of fuel through Haines into Canada. AS 43.40.005(b)(2) exempts "fuel refined and sold outside the United States" from the requirement to pay the refined fuel surcharge. This exemption does not apply to the fuel described above because, although the fuel is sold outside the U.S., the fuel is refined in the Puget Sound area and transported by a U.S. bottom barge (PMS used its own double-hulled, fuel barge).

Our competition for these markets is Canadian fuel companies, primarily bringing fuel by truck from Edmonton, Canada. These companies are not required to pay Alaska's refined fuel surcharge. It is also possible, in the future, we will see Canadian interests shipping fuel out of British Columbia via Southeast Alaska through the ports of Skagway and Haines. Most of this fuel is for use in the Yukon. These movements will be exempt from the refined fuel surcharge since they will be fuel refined and used outside the U.S. This circumstance creates an unlevel playing field for U.S. companies versus Canadian-based fuel distribution businesses.

Enclosed is a proposed amendment to clarify the type of fuel transactions subject to the refined fuel surcharge under AS 43.40.005. The amendment replaces existing wording of an exemption under AS 43.40.005(b)(2) from "fuel refined and used outside the United States" with "fuel consigned to foreign countries."



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The amendment clears up an ambiguity in existing law since the fuel surcharge provision was enacted in 2015. To my knowledge, the exemption in AS 43.40.005(b)(2) does not apply to any fuel sale transactions occurring in Alaska today. The fuel sales in question are not subject to the 8 cents per gallon motor fuel tax because motor fuel is defined to not include "fuel consigned to foreign countries." This provision can be found in AS 43.40.400(2)(A)

Thank you for your consideration of this request. Please feel free to contact me or Mr. Mark Hickey, our Juneau representative, who can be reached at 907-723.8574.

Sincerely,

Kurt R. Lindsey
President & CEO
Petro Marine Services

Enclosure

AMENDMENT

OFFERED IN THE SENATE

TO: ~~CSHB 101(FIN)~~ **SB 137**

3-5:

Page 1, lines ~~4-6~~

Delete all material and insert:

"* **Section 1.** AS 43.40.005 is amended to read:

Sec. 43.40.005. Refined fuel surcharge levied. (a) Every dealer or user of refined fuels shall pay a surcharge of **\$.015** [\$.0095] a gallon on refined fuel sold, transferred, or used in the state.

(b) The following refined fuels are exempt from the surcharge imposed under this section:

- (1) fuel sold to a federal or state government agency for official use;
- (2) fuel **consigned to a foreign country** [REFINED AND USED OUTSIDE THE UNITED STATES];
- (3) liquefied petroleum gas;
- (4) aviation fuel;
- (5) fuel sold or transferred between qualified dealers."