ALASKA STATE LEGISLATURE
SENATE RULES COMMITTEE

SENATOR BILL WIELECHOWSKI, CHAIR
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Senate Bill 112
Oil & Gas Production Tax
Sponsor Statement

Reducing the Sliding-Scale Per-Barrel Credits & Requiring Investment Match

The sliding-scale per-barrel credit was established in 2013 through SB 21, the "More Alaska Production Act" (MAPA). This credit allows major North Slope oil producers to reduce their production taxes for each barrel of oil, based on a sliding scale tied to oil prices. The credit ranges from $8 per barrel when the gross value of oil is $80 or less, to $1 per barrel when oil is valued from $140 to under $150. Additionally, producers receiving a "new field" tax reduction may claim a flat $5 per-barrel credit.

When first introduced in 2013, SB 21 did not include per-barrel credits. The Senate later added a flat $5 per-barrel credit for all producers. When SB 21 passed the Senate on March 21, 2013, the Governor, industry representatives, and others supported only the $5 credit. However, the House extended the $5 credit to new fields and introduced the $8-to-$1 sliding scale for existing fields. In the final hours before adjournment, the Senate concurred with the House's changes, relying on the House's vetting process.

Through fiscal year 2025, Alaska will have lost $8.6 billion in revenue due to these per-barrel credits. This fiscal year alone, the credits will cost the state $636 million, with an additional $6.5 billion in projected losses through fiscal year 2034.

SB 112 proposes reducing the credits to a $5-to-$0 sliding scale and tying them to investment. Under the new provisions, producers can only claim credits matching their qualified capital expenditures from the same tax year. This change incentivizes investment in Alaska, aiming to maintain production, create jobs for Alaskans, and stimulate industry growth.

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