

ALASKA STATE LEGISLATURE

HOUSE RESOURCES COMMITTEE

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Official Business



House Bill 393 **COOK INLET/MIDDLE EARTH GAS ROYALTIES**

SPONSOR STATEMENT

In the coming years, Southcentral Alaska faces a critical challenge: a projected shortage and ever-increasing decline in Cook Inlet gas production. This looming shortage poses a significant threat to the energy security of our state, with the potential to lead to drastic increases in energy prices for the residents and businesses of Southcentral Alaska. The prospect of diminishing in-state gas supplies and a reliance on liquefied natural gas (LNG) imports not only threatens our economic stability but also our way of life.

Due to the nature of this issue, bold and decisive action is required. HB 393 makes a significant change to the Cook Inlet royalty structure based on the idea that the Inlet is not attracting enough investment dollars and activity for development and exploration drilling. At this critical juncture, royalties on Cook Inlet gas which decrease drilling activity, increase the cost of gas, or lead to costly LNG imports represent a tax on southcentral ratepayers in addition to jeopardizing the energy security of our state.

This legislation seeks to address the anticipated gas production shortfall by decreasing royalty rates on new wells for gas used by Alaskans to 0%, with the goal of fostering an environment which will lead to increased drilling and exploration activities in the Cook Inlet region. This bill also reduces the base royalty on wells currently producing to 5%, which will extend the life of those wells leading to more gas production. HB 393 extends incentives to “middle earth” and allows drilling and development costs to be deducted against royalty burdens. The rationale behind HB 393 is straightforward: by enhancing project economics, we can attract more investment into natural gas exploration and production. This increased investment will not only mitigate the risk of a gas shortage but also has the potential to stabilize energy prices for Southcentral Alaskans.

HB 393 is an acknowledgment of the critical role that affordable and reliable energy plays in our lives and a recognition of the need for immediate action to secure our energy future. I urge my colleagues in the 33rd Alaska State Legislature to join me in supporting HB 393.

A handwritten signature in black ink, appearing to read "Tom W. McKay".