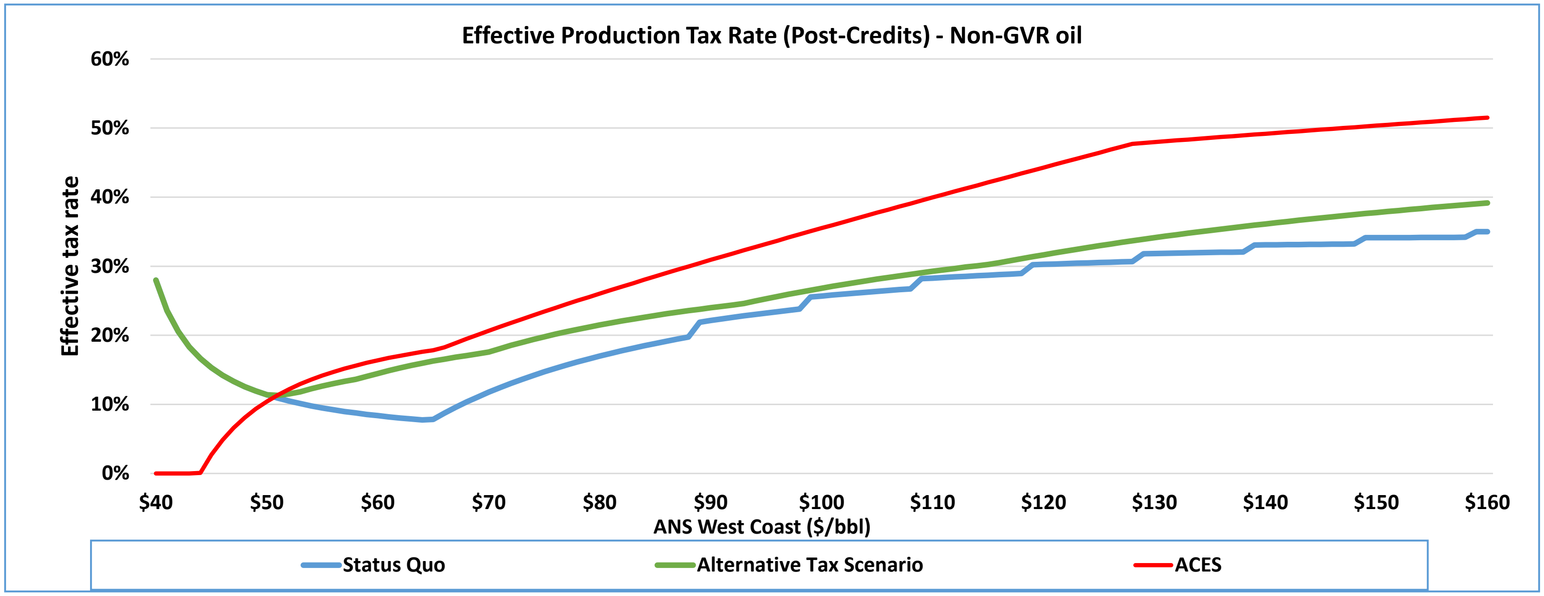
Effective Production Tax Rates Comparison Model - Non-GVR Oil, FY 2019

A high-level aggregate model allowing comparison of status quo production tax structure to an alternate configuration for a typical non-GVR oil field.
Updated 04/20/18 based on Spring 2018 revenue forecast.



Change in Revenue, Status Quo to Alternative Tax Scenario

ANS West Coast	$40	$50	$60	$70	$80	$90	$100	$110	$120	$130	$140	$150	$160
Change in Production Tax Revenue (Millions)	$0	$0	$222	$297	$297	$149	$109	$109	$175	$323	$472	$621	$769

Spring 2018 RSB FY 2019 Assumptions:	
ANS West Coast	$63.00
Transportation Costs	$8.87
Royalty Rate	12.5%
Upstream CAPEX per total bbl	$9.21
Upstream OPEX per total bbl	$14.13
Production (mmbbls/day)	526.6

Alternative Tax Scenario

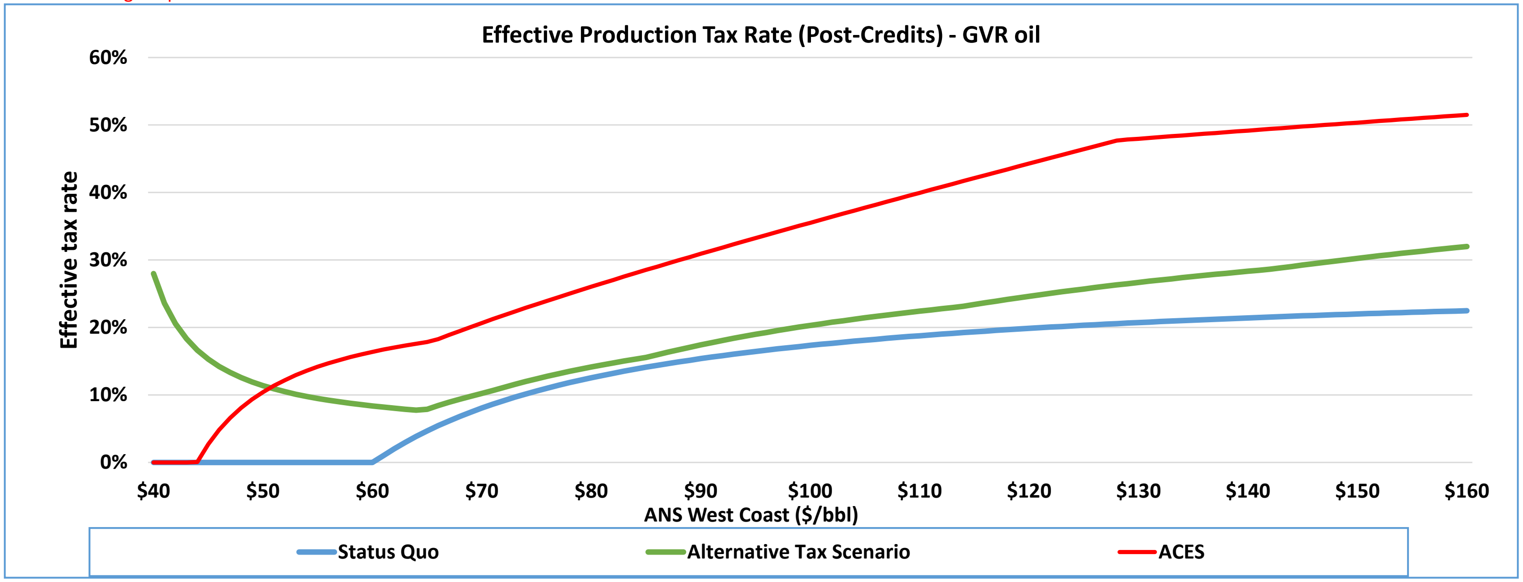
Base rate	**10%**
1st trigger (PTV/bbl)	**$10**
1st progressive rate - in addition to base rate	**5%**
2nd trigger (PTV/bbl)	**$15**
2nd progressive rate - in addition to base & 1st progressive rates	**5%**
3rd trigger (PTV/bbl)	**$20**
3rd progressive rate - in addition to base, 1st & 2nd progressive rates	**5%**
4th trigger (PTV/bbl)	**$30**
4th progressive rate - in addition to base & 1st-3rd progressive rates	**10%**
5th trigger (PTV/bbl)	**$50**
5th progressive rate - in addition to base & 1st-4th progressive rates	**10%**
6th trigger (PTV/bbl)	**$70**
6th progressive rate - in addition to base & 1st-5th progressive rates	**10%**
Minimum tax rate	**4%**
Per-barrel credits	**$0**

Effective Production Tax Rates Comparison Model - GVR Oil, FY 2019

A high-level aggregate model allowing comparison of status quo production tax structure to an alternate configuration for a typical GVR oil field.

Updated 04/20/18 based on Spring 2018 revenue forecast.

Note: This analysis assumes a non-incumbent producer. This analysis also assumes North Slope average lease expenditures and does not factor in likely higher costs for GVR-eligible production.



Change in Per-Barrel Revenue, Status Quo to Alternative Tax Scenario

ANS West Coast	$40	$50	$60	$70	$80	$90	$100	$110	$120	$130	$140	$150	$160
Change in Per-Barrel Production Tax Revenue	$1.09	$1.44	$1.79	$0.65	$0.63	$0.97	$1.67	$2.37	$3.51	$4.91	$6.31	$8.26	$10.36

Spring 2018 RSB FY 2019 Assumptions:	
ANS West Coast	$63.00
Transportation Costs	$8.87
Royalty Rate	12.5%
Upstream CAPEX per total bbl	$9.21
Upstream OPEX per total bbl	$14.13
Production (mmbbls/day)	526.6

Alternative Tax Scenario

Base rate	**10%**
1st trigger (PTV/bbl)	**$10**
1st progressive rate - in addition to base rate	**5%**
2nd trigger (PTV/bbl)	**$15**
2nd progressive rate - in addition to base & 1st progressive rates	**15%**
3rd trigger (PTV/bbl)	**$20**
3rd progressive rate - in addition to base, 1st & 2nd progressive rates	**5%**
4th trigger (PTV/bbl)	**$30**
4th progressive rate - in addition to base & 1st - 3rd progressive rates	**10%**
5th trigger (PTV/bbl)	**$50**
5th progressive rate - in addition to base & 1st - 4th progressive rates	**10%**
5th trigger (PTV/bbl)	**$70**
5th progressive rate - in addition to base & 1st - 4th progressive rates	**10%**
Minimum tax rate	**4%**
Per-barrel credits	**$0**
Gross Value Reduction	**20%**

Provisions in HB 411 with amendment J.8 and their Estimated Fiscal Impacts based on Spring 2018 Forecast ($millions) - FC PRICE Revised 4-20-18 by Dept. of Revenue

Description of Provision	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
1. Effective 1/1/19, the production tax rate for North Slope oil is reduced from 35% to 10% of Production Tax Value. A progressive surcharge with 6 incremental rates is established for North Slope oil. The surcharge is 5% of PTV over $10 per barrel, increasing to a maximum marginal tax rate of 50% for PTV over $70 per barrel. The progressive surcharge would be calculated based on a company's statewide PTV per barrel of oil equivalent.	-$18	-$33	-$69	-$79	-$101	-$132	-$223	-$314	-$341	-$389
2. Effective 1/1/19, repeals per-taxable-barrel credits for North Slope non-GVR oil production.	$597	$1,126	$1,078	$1,093	$1,124	$1,138	$1,134	$1,130	$1,120	$1,122
3. Effective 1/1/19, repeals per-taxable-barrel credits for North Slope GVR-eligible oil production.	$22	$32	$43	$48	$54	$39	$36	$38	$35	$26
4. Additional impact of implementing above provisions together.	-$377	-$721	-$681	-$679	-$686	-$659	-$552	-$448	-$411	-$357
Total Revenue Impact	**$224**	**$405**	**$370**	**$383**	**$392**	**$386**	**$395**	**$406**	**$404**	**$403**
Total Budget Impact	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Fiscal Impact - (does not include potential changes in investment)	**$224**	**$405**	**$370**	**$383**	**$392**	**$386**	**$395**	**$406**	**$404**	**$403**

Tax impact of carry-forward lease expenditures and credits - current law	$228	$558	$956	$1,444	$1,967	$2,407	$2,666	$2,876	$3,051	$3,175
Tax impact of carry-forward lease expenditures (valued at base rate) and credits - proposed	$124	$222	$332	$462	$597	$706	$774	$830	$878	$914
Change in year-end balance due to proposal	**-$103**	**-$336**	**-$624**	**-$982**	**-$1,370**	**-$1,701**	**-$1,892**	**-$2,047**	**-$2,173**	**-$2,261**

NOTE: The fiscal impact of this proposal is an estimate based on the Spring 2018 revenue forecast. **Estimates shown here are draft / preliminary based on our interpretation of possible changes, and do not include any changes in company behavior as a result of this proposal. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.**