



# AOGA Alaska Oil & Gas Association

## Legislative Working Group

July 10, 2018

# AOGA Membership



# 2016 Primary Industry Spending



- Employed 5,033 workers in Alaska
  - 4,275 AK residents earning \$749 million in wages
- Spent \$4.6 billion with ~1,000 Alaska vendors
  - \$1 million in spending for each Primary Company job
- Generated multiplier effect resulting in 41,300 jobs and \$2.4 billion in wages

**Total: 45,575 jobs & \$3.1 billion in wages**

# 2016 State & Local Government Impacts

- State agency operations: **19,500 jobs**
- State programs: **19,600 jobs**
- Capital spending: **10,400 jobs**
- PFD Distribution: **4,200 jobs**
- Local govt. operations & projects: **4,600 jobs**



**Total: 58,300 jobs & \$2.9 billion in wages**

# 2016 Industry & Government Impacts

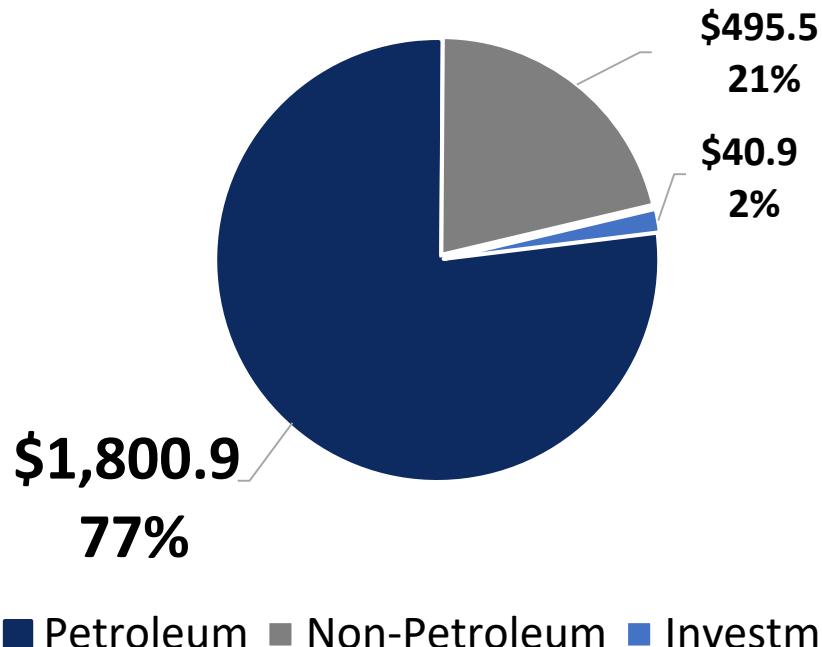
- **103,875 total jobs**
  - 32% of all jobs in Alaska
- **\$6.0 billion in wages**
  - 35% of all Alaska wages
- **Compared to...**
  - *Seafood* → 60,000 jobs/\$2.1 billion in wages
  - *Visitor Industry* → 40,000 jobs/\$1.4 billion in wages
  - *Mining* → 9,000 jobs/\$700 million in wages



# Oil Dominates State Revenues

## FY18 Unrestricted General Fund (UGF) Revenues

*values in millions*



FY17 local property taxes

**\$443 million**

FY18 restricted revenue

**\$413 million**

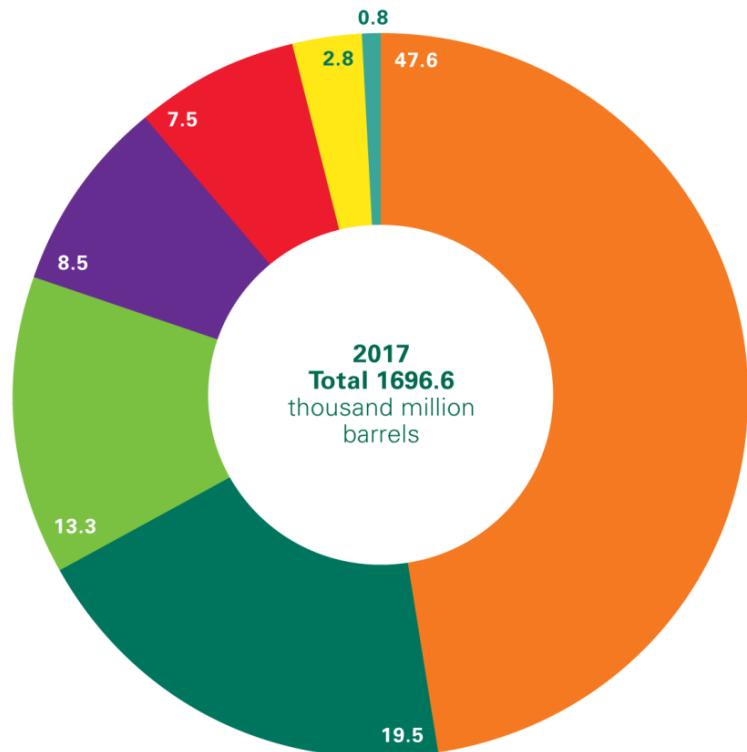
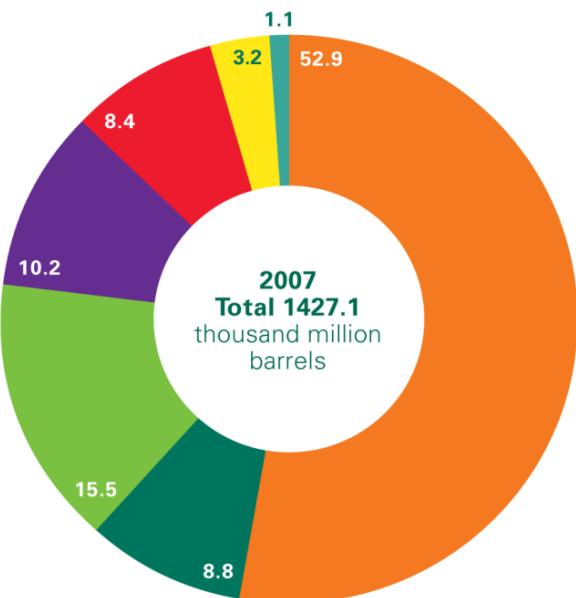
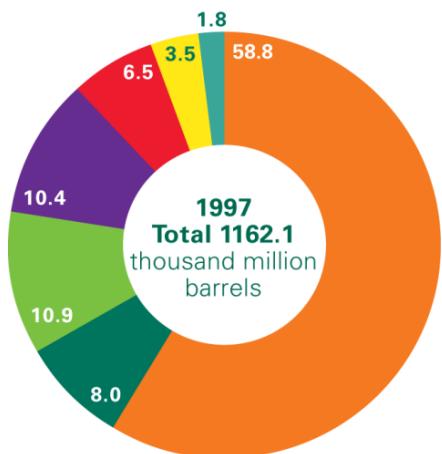
**\$2.7  
BILLION**

FY18 Predicted State & Local  
Oil Revenues

Source: Spring 2018 Revenue Sources Book, Department of Revenue

# Distribution of Proved Reserves, 1997, 2007, 2017

- Middle East
- S. & Cent. America
- North America
- CIS
- Africa
- Asia Pacific
- Europe

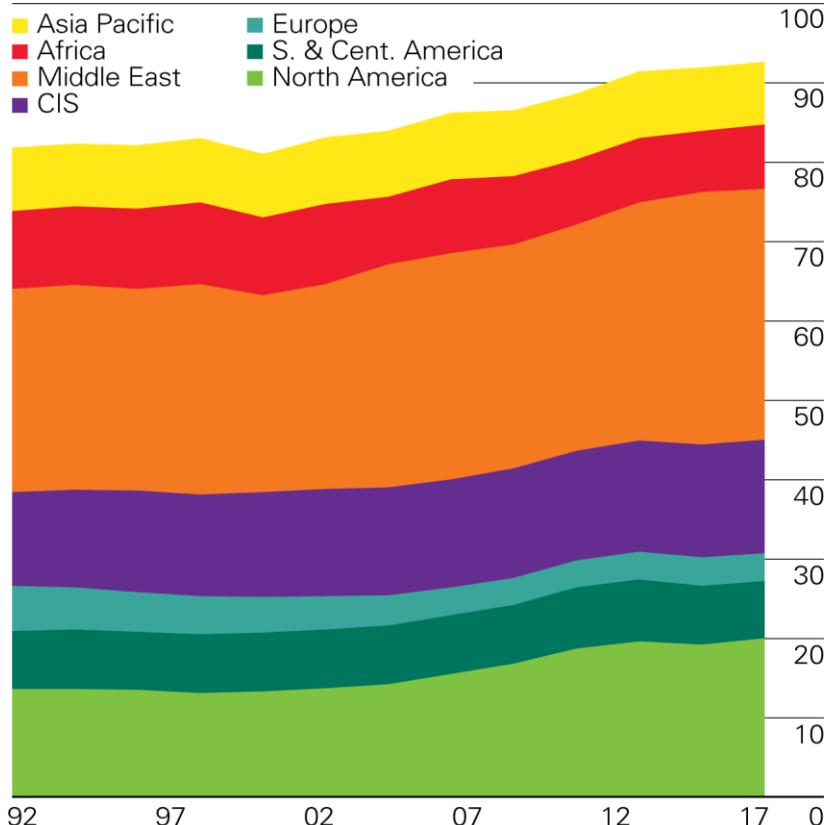


Source: BP Statistical Review of World Energy 2018  
© BP p.l.c. 2018

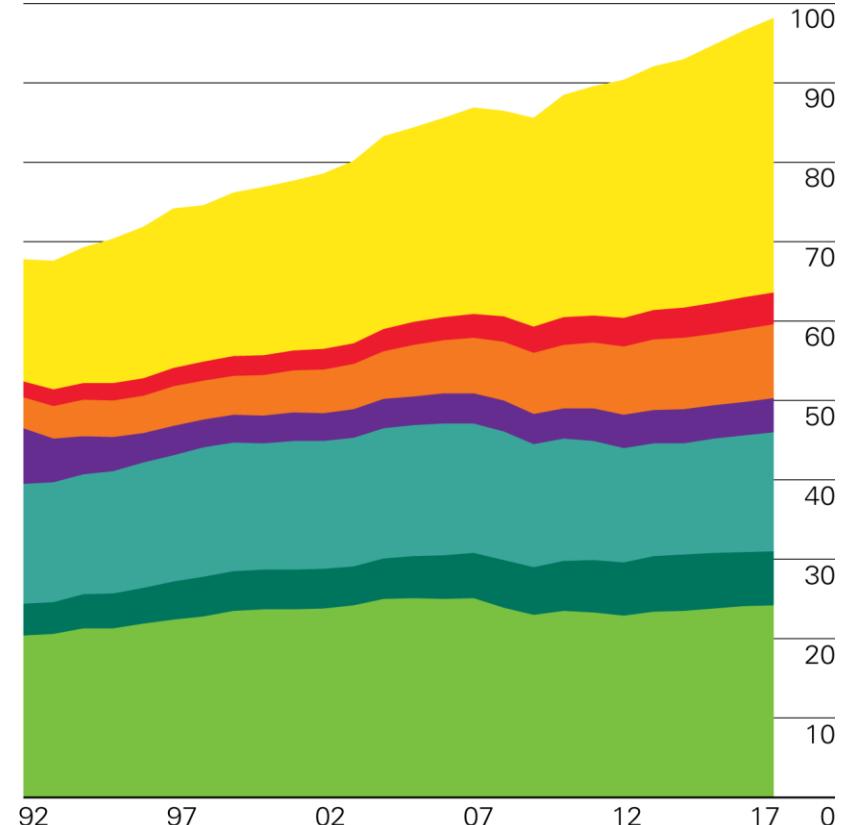
# Oil production/consumption by region

## Million barrels daily

Production by region



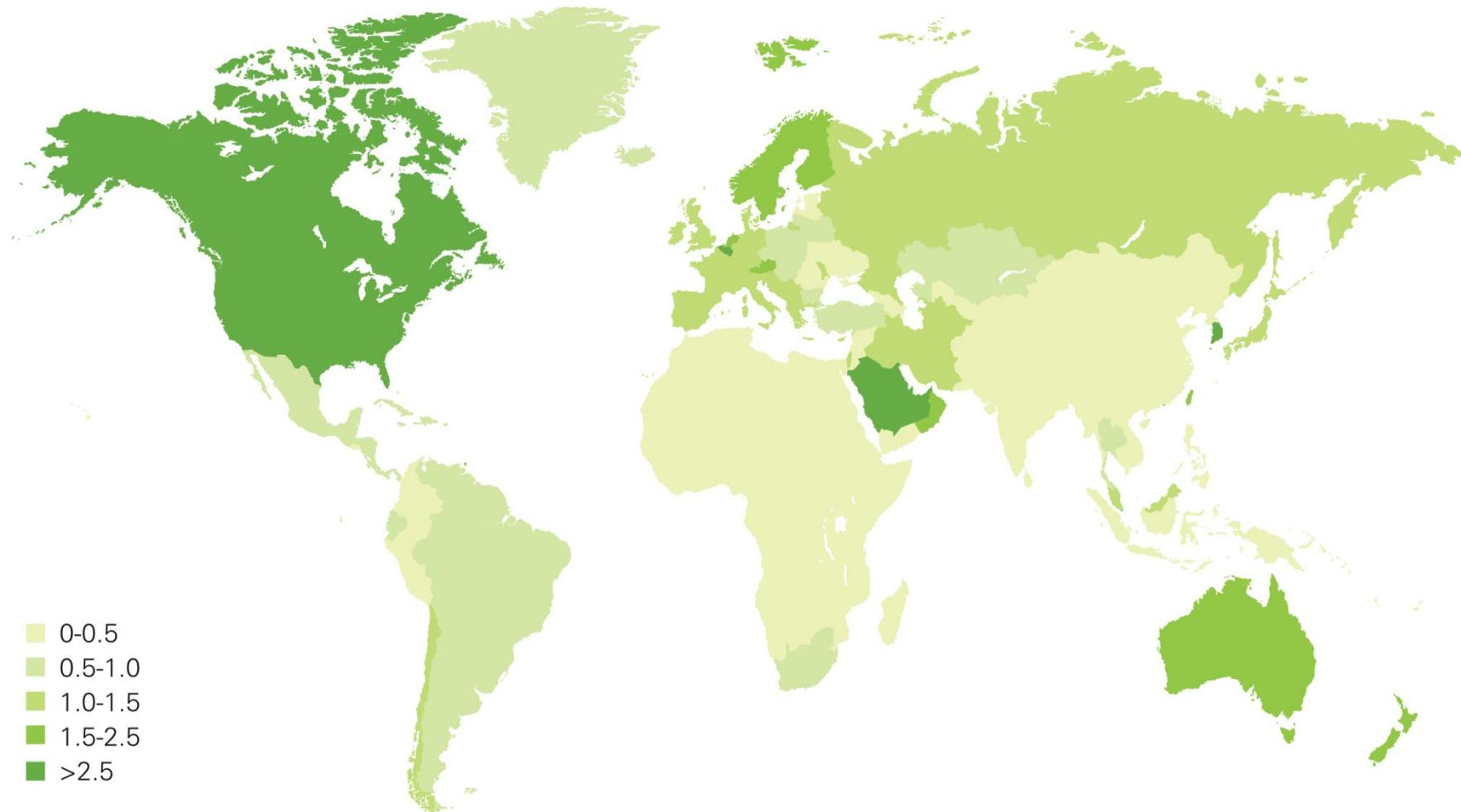
Consumption by region



Source: BP Statistical Review of World Energy 2018  
© BP p.l.c. 2018

# Oil consumption per capita 2017

## Tonnes

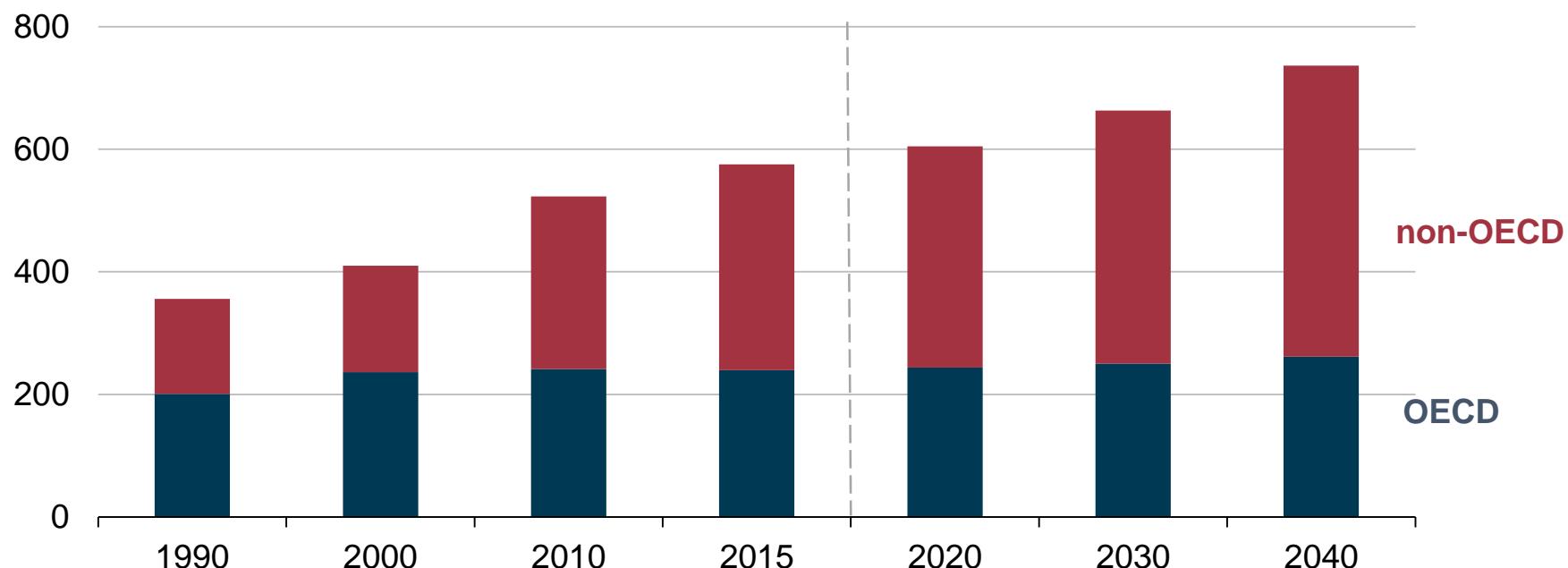


Source: BP Statistical Review of World Energy 2018  
© BP p.l.c. 2018

# World energy consumption rises 28% between 2015 and 2040 in EIA Reference Case

## World energy consumption

quadrillion Btu

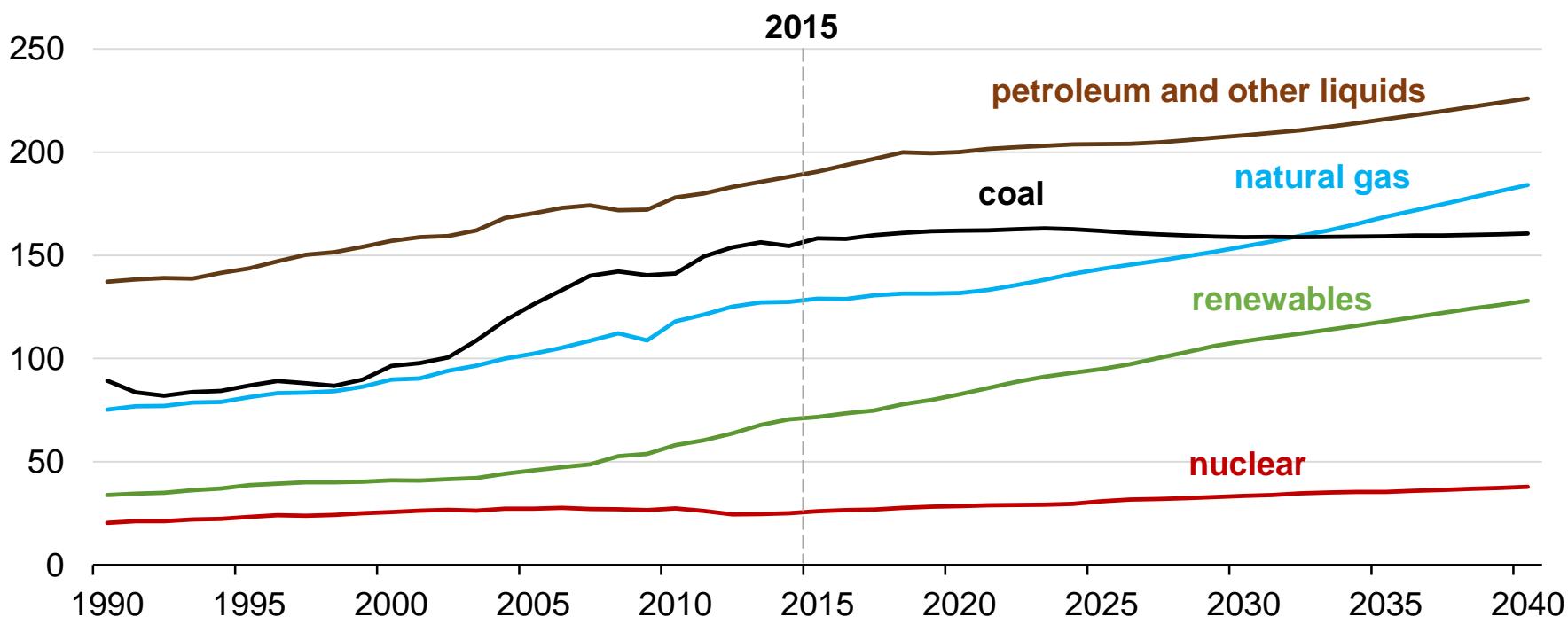


Source: U.S. Energy Information Administration  
#IEO2017 – [www.eia.gov/ieo](http://www.eia.gov/ieo)

# Forecast for energy consumption to increase for all fuels other than coal

## World energy consumption by energy source

quadrillion Btu

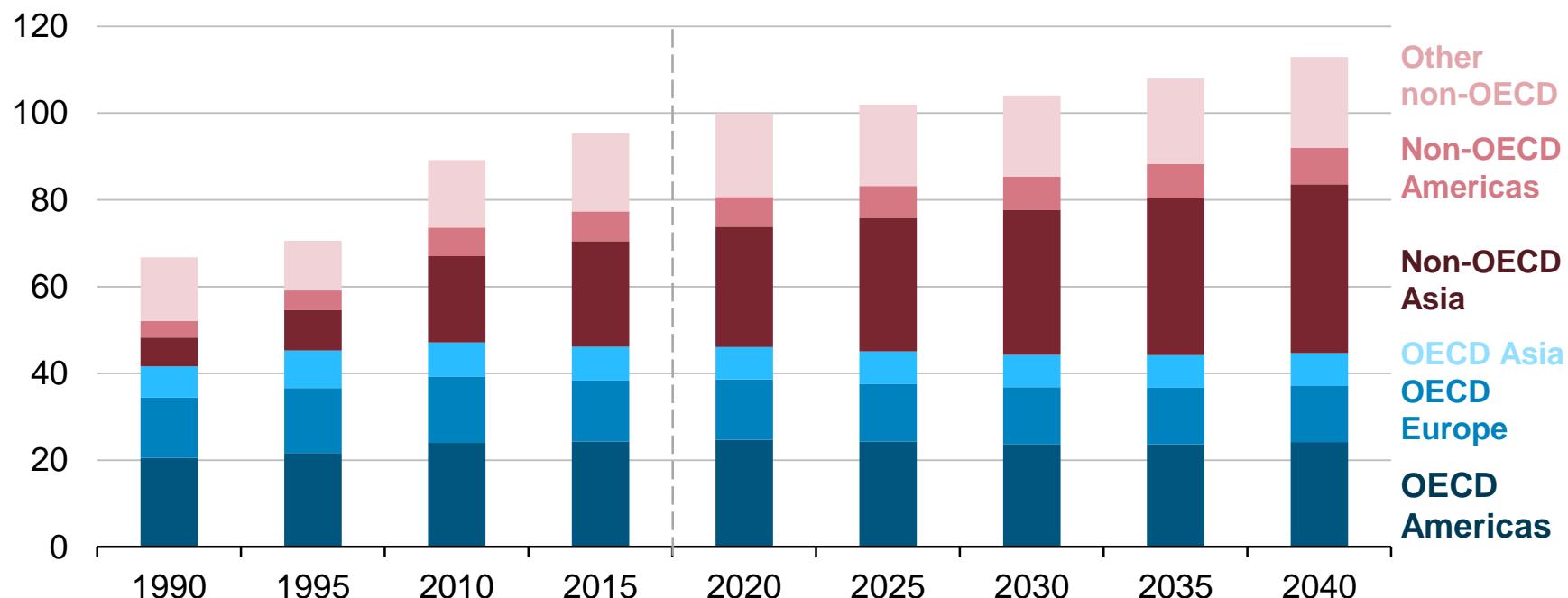


Source: U.S. Energy Information Administration  
#IEO2017 – [www.eia.gov/ieo](http://www.eia.gov/ieo)

# World petroleum and other liquid fuels consumption grows by 18% between 2015 and 2040

## Petroleum and other liquids consumption

million barrels per day



Source: U.S. Energy Information Administration  
#IEO2017 – [www.eia.gov/ieo](http://www.eia.gov/ieo)

# Alaska's Mega Resources

RESOURCE POTENTIAL	
STATE LAND	FEDERAL LAND
<b>Cook Inlet</b> 599 mbo and 19 tcf gas	<b>Offshore Arctic</b> 27 bbo and 132 tcf gas
<b>Onshore North Slope</b> <u>Conventional</u> 5 bbo and 35 tcf gas	<b>NPR-A</b> 8.8 bbo and 39.2 tcf gas
<u>Heavy/Viscous</u> 24-33 bbo	<b>ANWR</b> 10 bbo and 3.5 tcf gas
<u>Unconventional</u> 2 bbo and 12 tcf gas	

mbo - million barrels of oil    bbo - billion barrels of oil    tcf - trillion cubic feet

Source: USGS

# Opportunity is on the Horizon...



## Caelus' Nuna Project

Est. ~20-25,000 barrels per day at peak



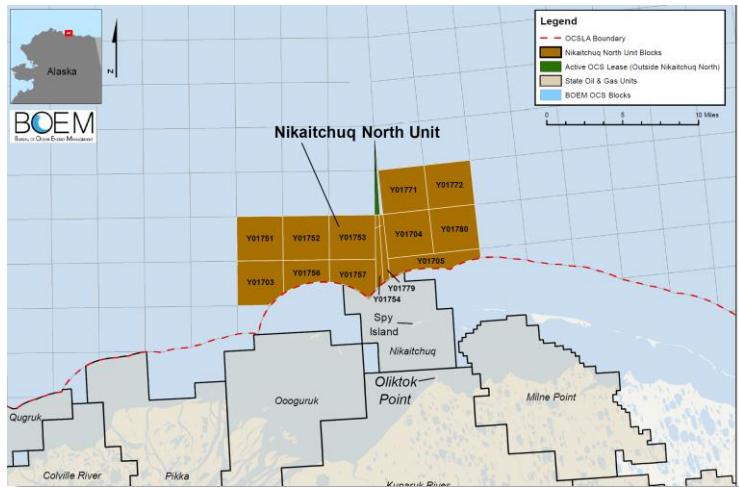
**Glacier Oil & Gas**  
Future plans at Badami



## Hilcorp's Liberty Project

Est. ~60,000 barrels per day at peak

# ...And Alaska is Just Getting Started

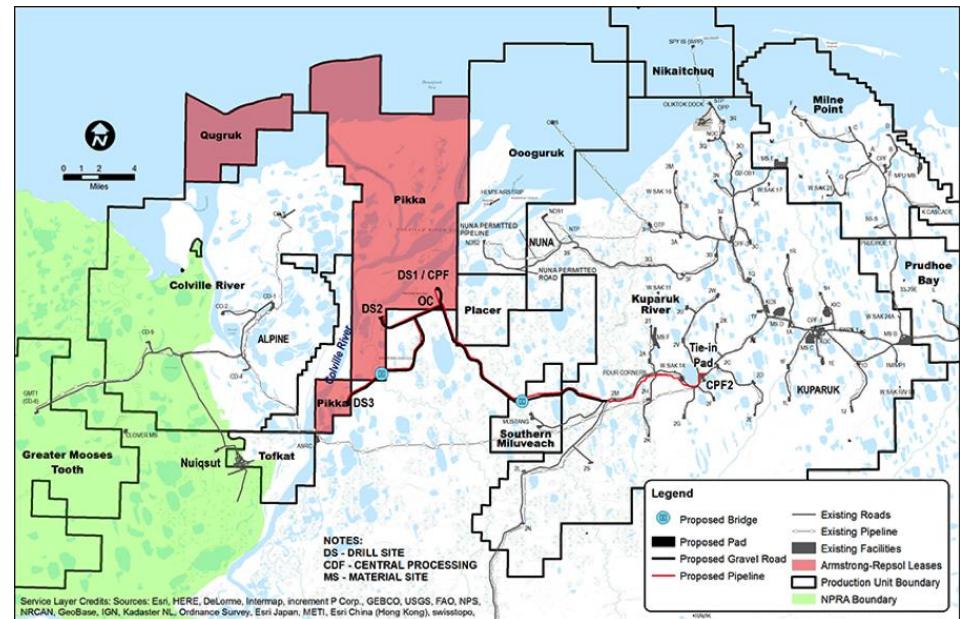


eni

Four exploration wells approved  
for 2017-2019

## Pikka Project by Armstrong, Repsol, & Oil Search

Est. ~120,000 barrels per day at peak



# Federal Government Aligned with Alaska

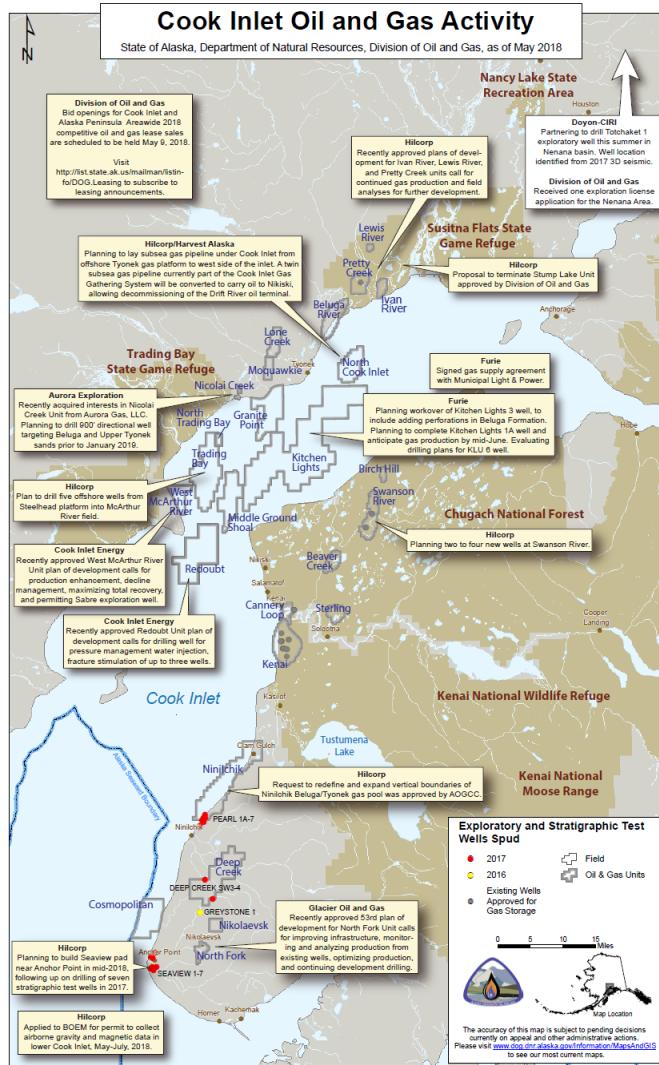
ANCHORAGE DAILY NEWS

*December 20, 2017*

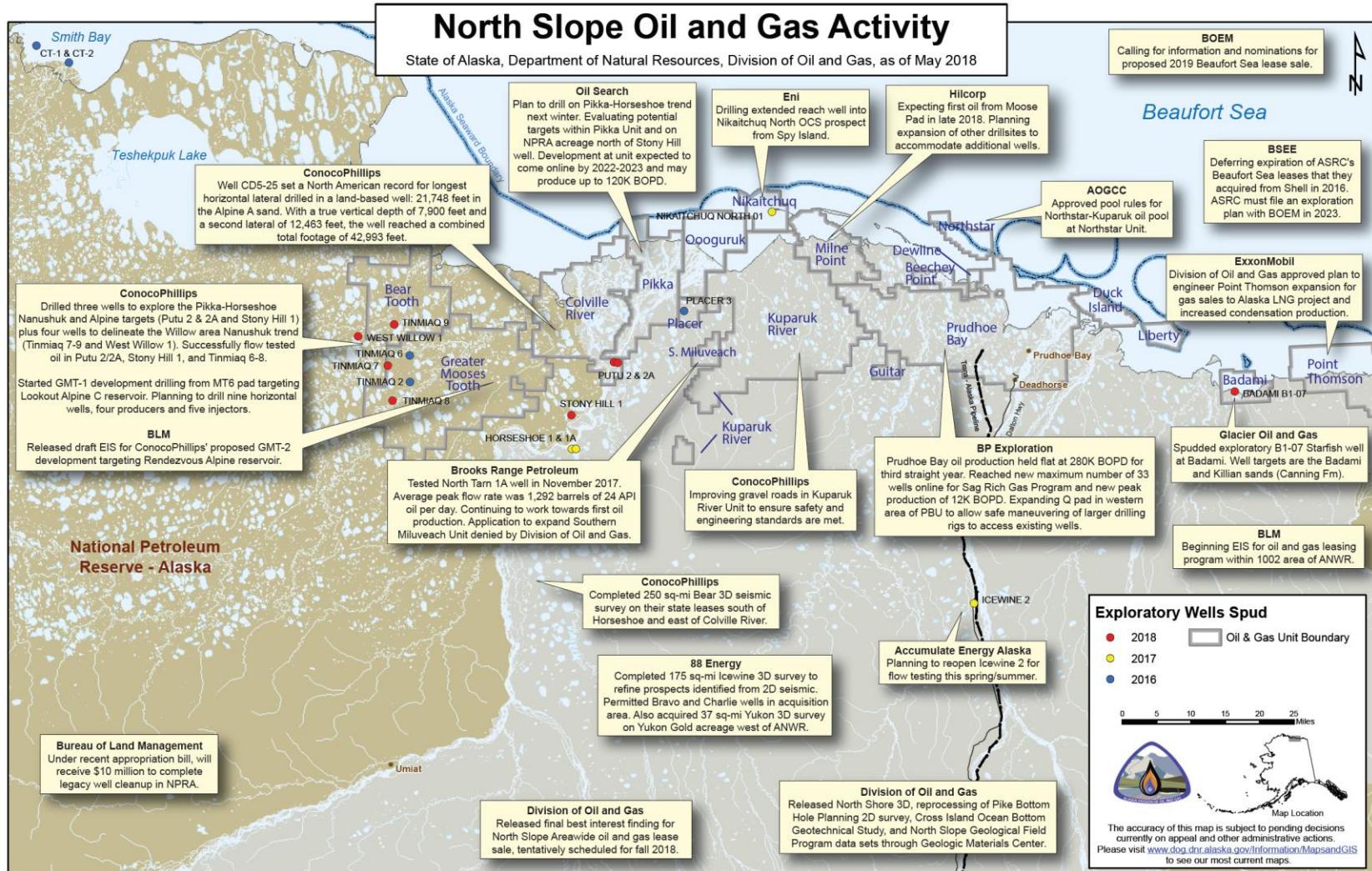
**‘A historic moment’: How ANWR drilling was passed by Congress after decades of effort**



# Cook Inlet Activity Map – May 2018



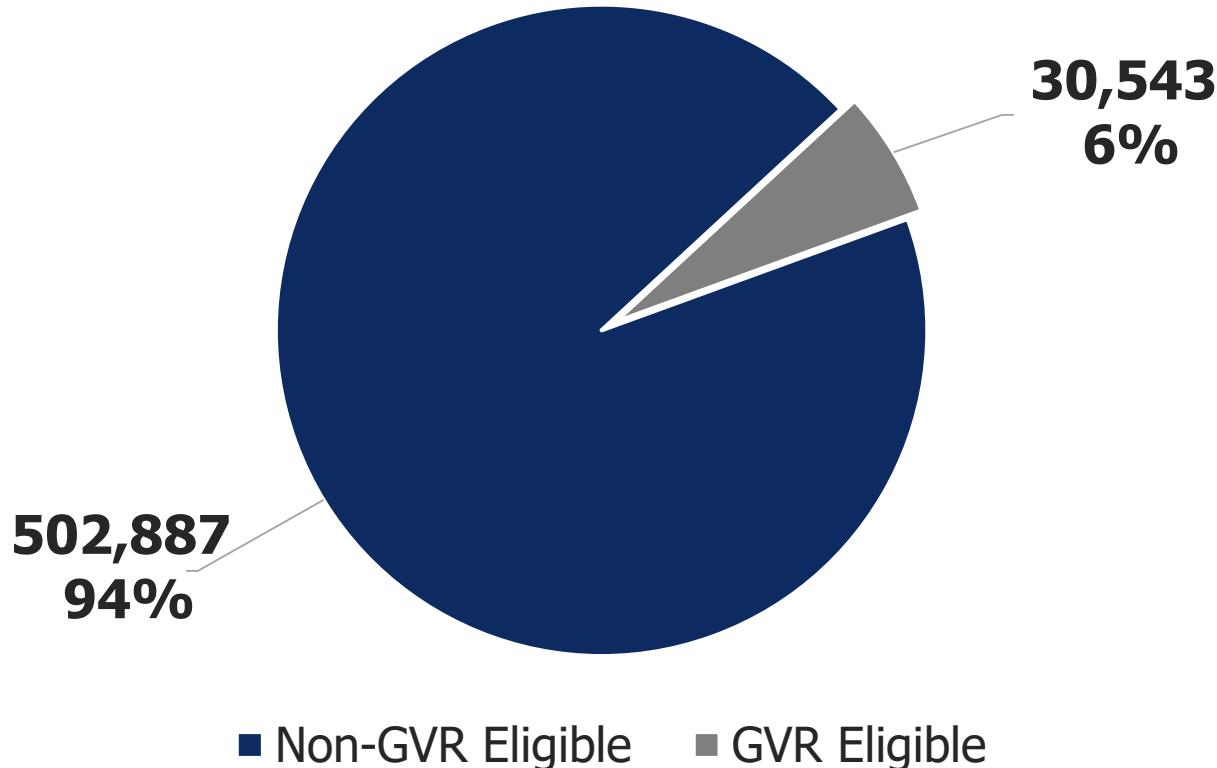
# North Slope Activity Map – May 2018



# What Portion of Current Production is New Oil?

## FY19 North Slope Production GVR vs Non-GVR

*barrels of oil per day*

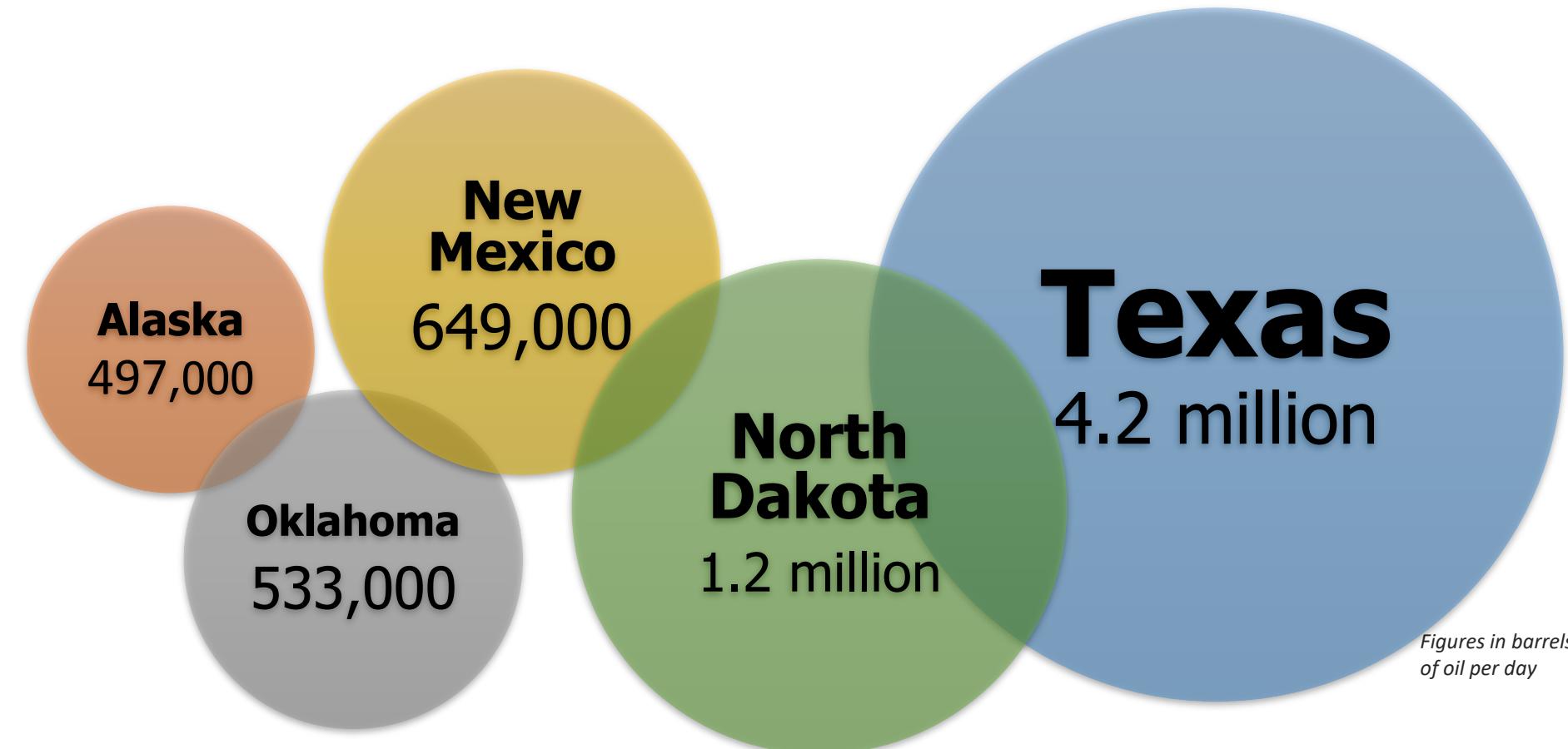


Source: Fall 2017 Revenue Sources Book, Department of Revenue

GVR: Gross Value Reduction, i.e. new oil

# Alaska is Falling Behind

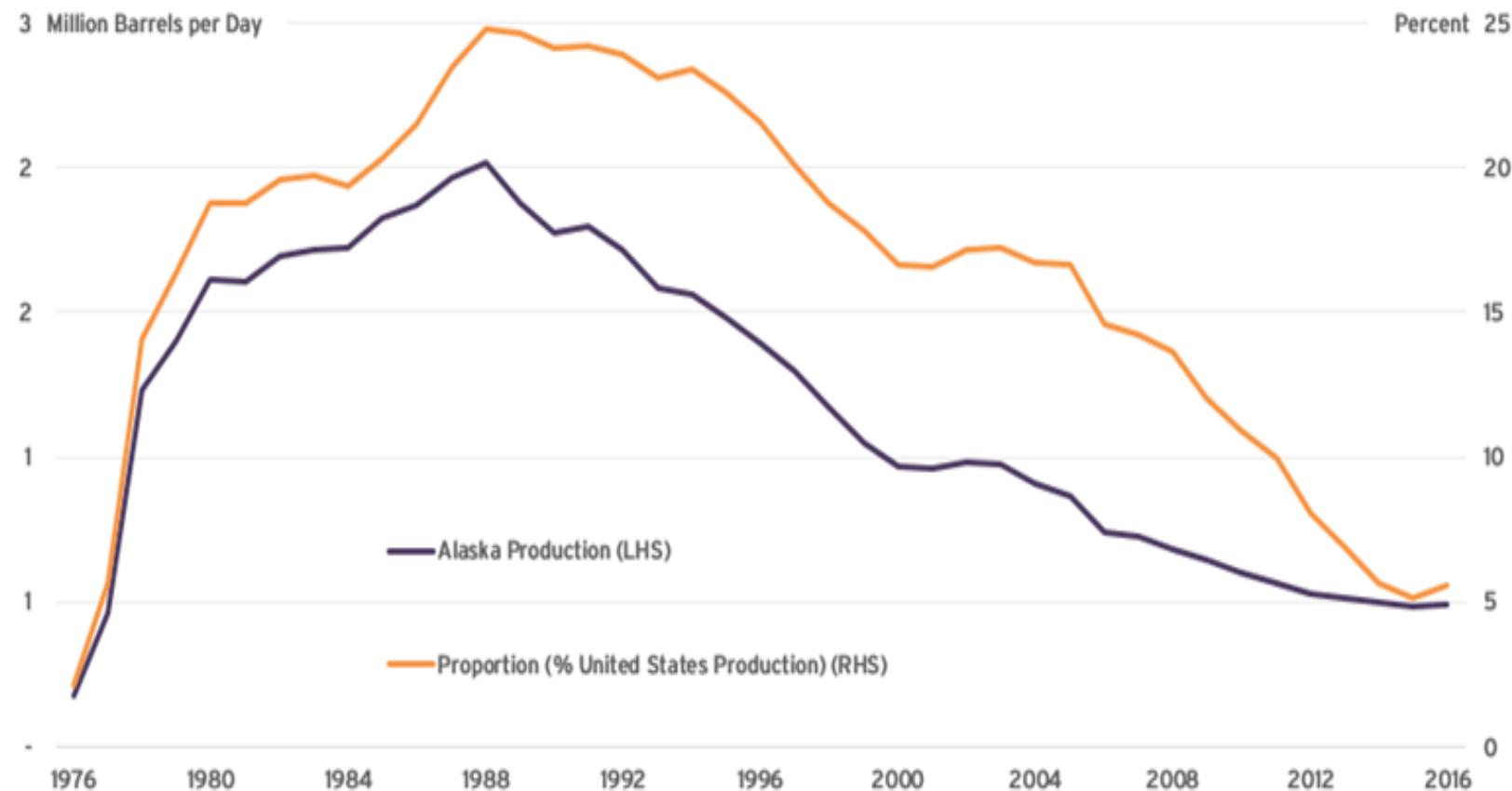
Source: U.S. Energy Information Agency – April 2018 Oil Production



*Alaska now ranks 5<sup>th</sup> among U.S. oil producing States*

# Alaska production is only 5% of total US Production

Alaskan Production Declines and So Does Its Share of Total U.S. Supply

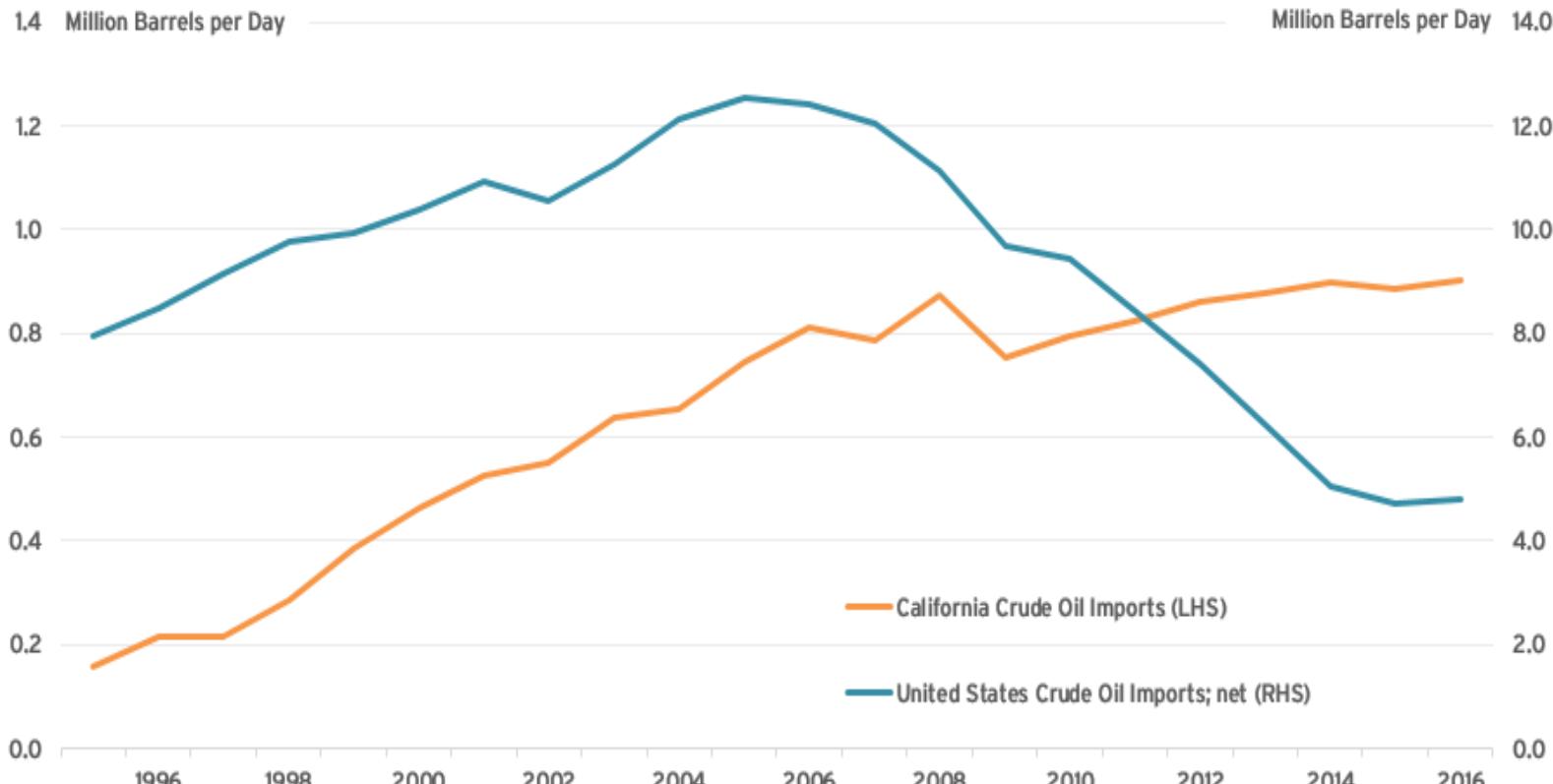


Source: SAFE analysis based on data from EIA.

Source: Testimony in U.S. Senate Energy & Natural Resources Committee, Nov. 1, 2017

# As Alaska production declined, California imports increased

California Imports Rise, While U.S. Imports Fall



Source: SAFE analysis based on data from EIA and the California Energy Commission.

Source: Testimony in U.S. Senate Energy & Natural Resources Committee, Nov. 1, 2017

# Alaska Needs Investment

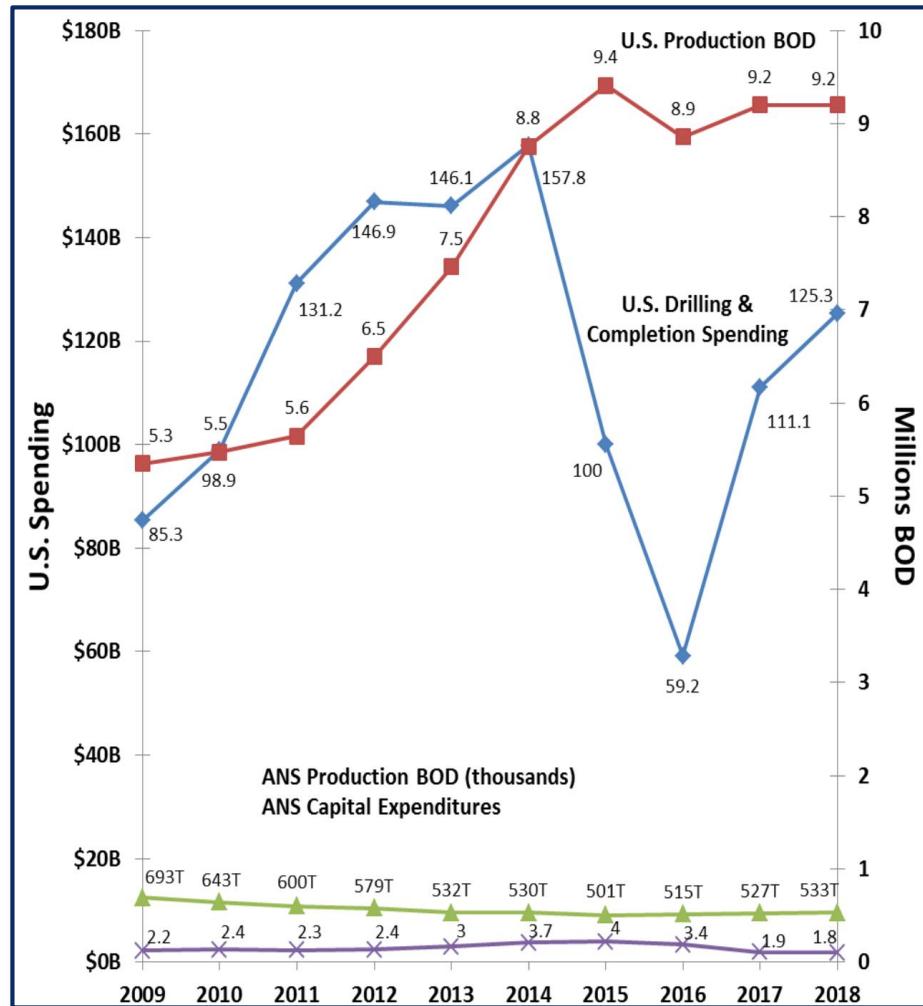
Today, Alaska is only capturing 1.7% of total U.S. investment, or ~\$1.9 billion in capital.



Recent history shows Alaska needs at least \$3.6 billion of investment capital to grow production.



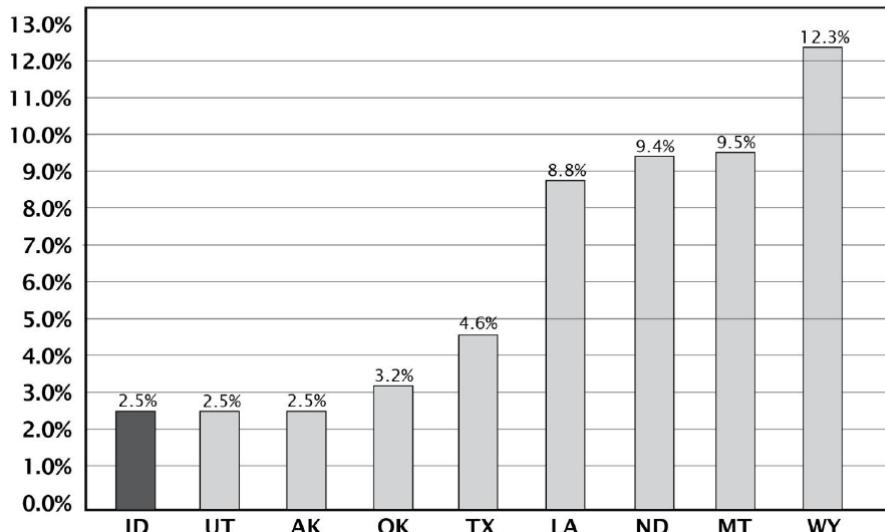
How does Alaska compete for the investment capital necessary to grow production beyond 2018?



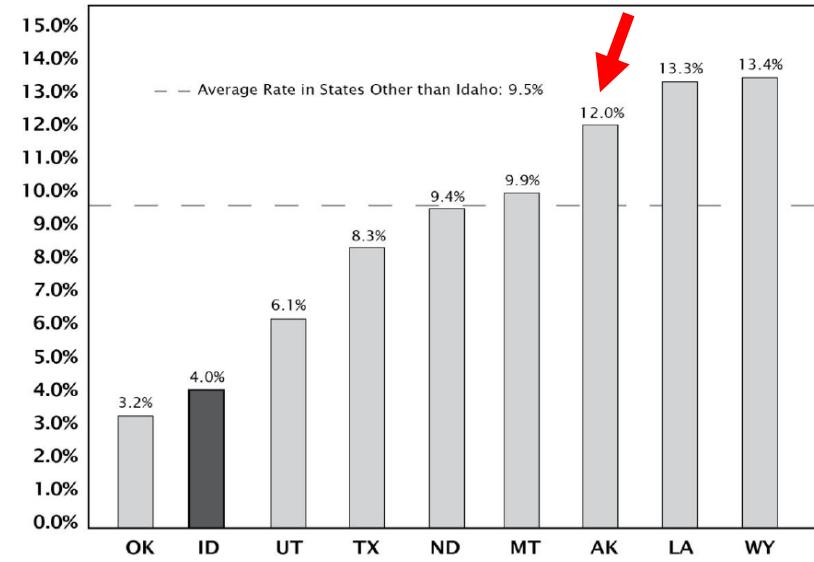
Source: U.S. Energy Admin, Spears & Associates; Alaska Revenue Sources Book

# Fact: Alaska's tax rate exceeds U.S. average

EFFECTIVE TAX RATES  
SEVERANCE AND PRODUCTION TAXES  
Fiscal Year ended 6-30-16



EFFECTIVE TAX RATES  
INCLUDING AD VALOREM TAXES  
Fiscal Year ended 6-30-16

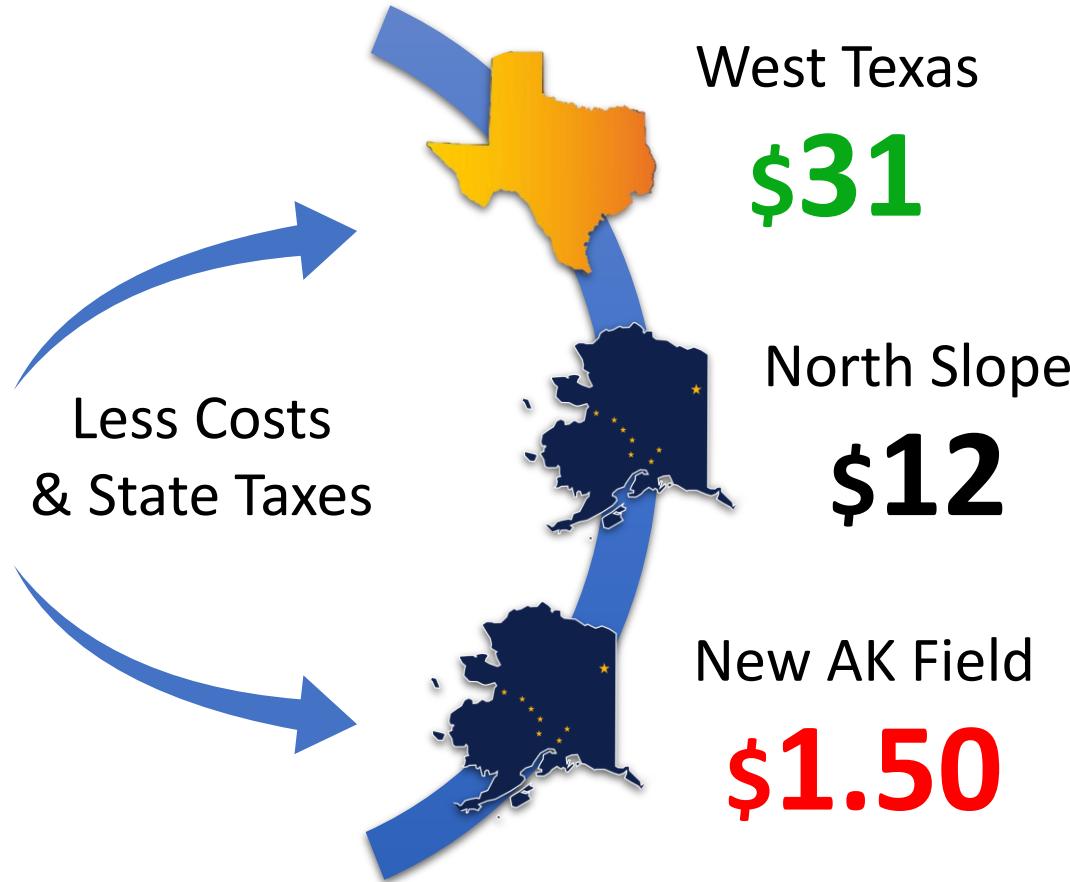


Source: Idaho Department of Lands. (2017). 2016 Oil and Gas Taxation Comparison.

*Investment decisions are based  
on ALL tax rates.*

# How much do producers earn?

Source: Alaska Legislature's Oil Consultant.  
*Oil & Gas 102.* Jan. 31, 2018



*Where would you invest?*

# Stable Tax Regime Essential for Economic Growth

## Northern Opportunity

*Alaska's Economic  
Development Strategy*



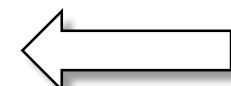
**Objective:** Strengthen existing resource extraction industries, including the Oil and Gas and the Mining Sectors

**Objective Partners:** Alaska Oil and Gas Association, Alaska Miners Association, Resource Development Council Alaska, Council of Alaska Producers, Alaska Support Industry Alliance, DED, Alaska Minerals Commission, Alaska Native Corporations, Alaska Gasline Development Corporation, AIDEA.

**Objective Resources:** Alaska's congressional delegation, Alaska's abundant natural resources, AIDEA's infrastructure funding.

**Action Items:**

- Promote a consistent business environment that includes a stable tax regime, a development and exploration mentality at regulatory agencies, and encouragement of responsible oil, gas, and mining exploration and production.



Source: Alaska Department of Commerce. Northern Opportunity: Alaska's Economic Development Strategy, Pg 17. 2018.

# Unstable Tax Policy

Dates	Tax Policy Change	Increase/ Decrease?	AOGA Position
Feb. 2005 - March 2006	Aggregated ELF - Administrative decision altering gross production tax	Tax Increase	Opposed
April 2006 - July 2007	Petroleum Production Tax (PPT)	Tax Increase	Opposed Final Version
July 2007 - 2013	Alaska's Clear and Equitable Share (ACES)	Tax Increase	Opposed
2010	Cook Inlet Recovery Act	Incentives for Industry	Supported
2014	SB 21	Both	Supported, with concerns
2016	HB 247 - Gov. Walker's oil tax reform	Tax Increase	Opposed
2017	HB 111	Tax Increase	Opposed
2018	Several Tax Increases Proposed but not passed	Tax Increase	Opposed

*7 changes in 13 years*

# Salmon Initiative is a Threat to Alaska

- Cannot underestimate the consequences of this initiative
- Virtually impossible to permit large projects:
  - Parks, Seward, or Denali Highways
  - Prudhoe Bay
  - Chena River Flood Control Project
  - Trans-Alaska Pipeline System
  - Red Dog Mine
  - Potential LNG Pipeline
- Projects that interfere with anadromous fish habitat cannot be permitted – including state & local government projects



# Salmon Initiative Deal Breaker for Alaska LNG



The Alaska LNG project ***would be virtually impossible to permit.***

- AGDC President Keith Meyer

# Salmon Initiative Impacts Existing Projects

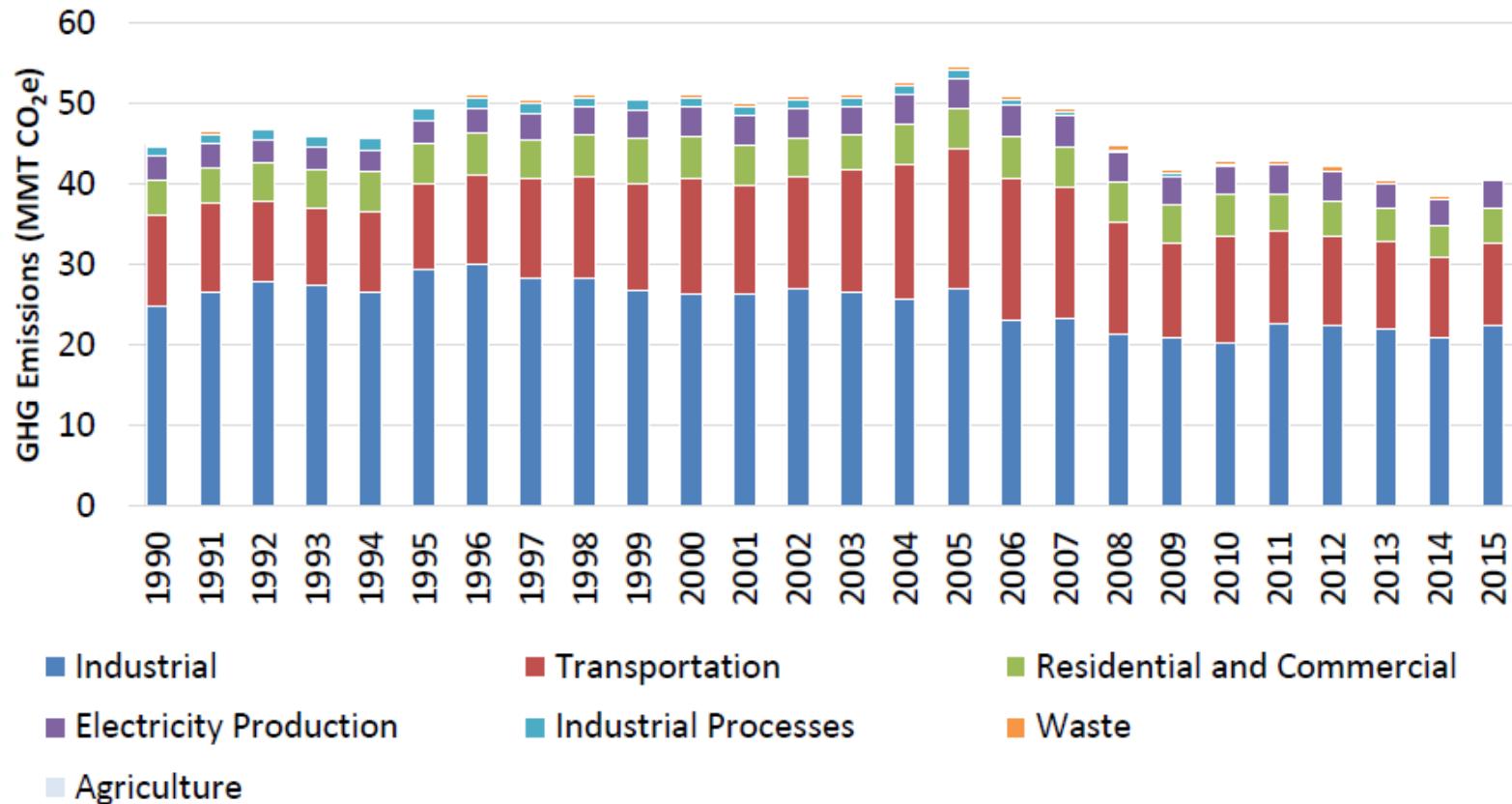


*“If the fish habitat initiative were to become law, **it would be all but impossible for TAPS to renew several permits and authorizations** that are crucial to its continues function. The operational viability of TAPS would be placed at risk.”*

- Alyeska Pipeline Service Company President  
Tom Barrett

# Alaska's Emissions have Decreased

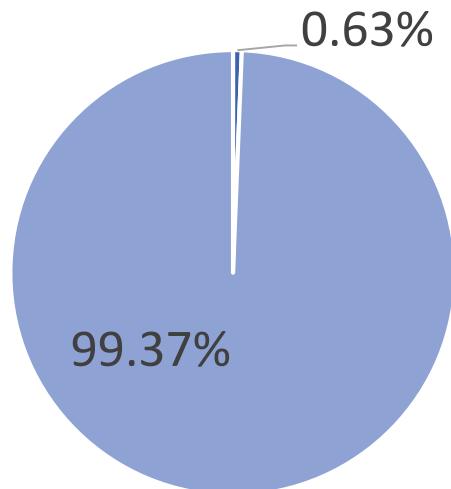
## Exhibit A: 1990 - 2015 Alaska Gross Annual Greenhouse Gas Emissions



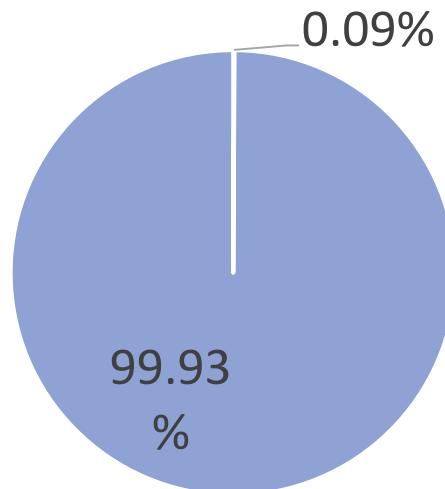
Source: <http://dec.alaska.gov/air/anpms/projects-reports/docs/ghg-inventory-report-overview-013018.pdf>

# Alaska's Emissions Less than 1%

## Alaska's portion of total United States GHG Emissions



## Alaska's portion of total Global GHG Emissions



Source: <http://dec.alaska.gov/air/anpms/projects-reports/docs/ghg-inventory-report-overview-013018.pdf>

# Current Alaska Draft Climate Policy Could Impact Investment

## Portions of June 11, 2018 Draft Climate Action Plan:

- **Maximize carbon neutral growth in Alaska through a rapid transition to renewable energy, electrification and energy efficiency.**
  - Reduce oil, gas and mining industry greenhouse gas emissions in Alaska by 50% (over 2005 levels) by 2030.
  - Increase building efficiency (over 2005 levels) in both residential and non-residential sectors by 50% by 2030.
  - Increase the percentage of all electricity generated from renewable resources (over 2005 levels) to 50% by 2030 and improve the energy efficiency of electric generation through economic dispatch.
- **Develop pathways for carbon revenue generation and a carbon pricing mechanism.**



# Legislative Working Group

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