HB 206

Rep. Donna Mears

REPRESENTATIVE DONNA MEARS

Our Responsibility

"The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people."

Article VIII, Sec. 2

Our Responsibility

Utilization and development requires balancing competing priorities:

1. Providing a tax environment that incentivizes robust and competitive development; and
2. Collecting taxes and royalties to provide the benefits of our resources to all Alaskans.

The legislature facilitates a balance between the needs of industry and the people of Alaska using tax and royalty policy.

What’s the Problem?

- What resource development outcomes are we trying to achieve with our tax system?

  A competitive and dynamic development environment that brings:

  - Increased production
  - Increased competition
  - Increased investment

What's the Problem?

The Legislature is unable to judge the effectiveness of its tax policies

- The resource development environment has changed significantly since SB21 (2013) and the assumptions made at the time are not today's reality.
- Does our tax system still meet its goals at $70 oil? $60?
- Would we know if it didn't?

(1) $8 for each barrel of taxable oil if the average gross value at the point of production for the month is less than $80 a barrel;

(2) $7 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $80 a barrel, but less than $90 a barrel;

(3) $6 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $90 a barrel, but less than $100 a barrel;

(4) $5 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $100 a barrel, but less than $110 a barrel;

(5) $4 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $110 a barrel, but less than $120 a barrel;

(6) $3 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $120 a barrel, but less than $130 a barrel;

(7) $2 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $130 a barrel, but less than $140 a barrel;

(8) $1 for each barrel of taxable oil if the average gross value at the point of production for the month is greater than or equal to $140 a barrel, but less than $150 a barrel;

(9) zero if the average gross value at the point of production for the month is greater than or equal to $150 a barrel.

AS 43.55.024(j) – Per-barrel tax credits

What's the Problem?

What information do legislators need to know?

- Is Alaska an attractive place to invest? How does it compare to other jurisdictions?
- How does our tax system impact different producers, depending on their position in the market?
- Is the legislature fulfilling its obligation to provide the maximum benefit to Alaskans?
- Has our system's effectiveness changed over time?

Legislators are currently prohibited from accessing disaggregated information about producers that would provide answers to these questions.

Alaska’s Unique Structure

- Alaska has a net tax system—companies are only taxed on their profits.
- Most oil-producing states—TX, OK, WY, CO, NM—have a gross tax system.
- Under a net tax, the public has a greater interest in transparency because of the higher revenue volatility inherent in the system.

$70 oil	Production	Price	Revenue	Marketing	Production Costs	Taxable Value	Tax Paid	Profit
Gross tax at 5%	1000	$70	$70,000	$ 5,000	$ 55,000	$ 65,000	**$ 3,250**	$ 6,750
Net tax at 32.5%	1000	$70	$70,000	$ 5,000	$ 55,000	$ 10,000	**$ 3,250**	$ 6,750
$65 Oil	Production	Price	Revenue	Marketing	Production Costs	Taxable Value	Tax Paid	Profit
Gross tax at 5%	1000	$65	$65,000	$ 5,000	$ 55,000	$ 60,000	**$ 3,000**	**$ 2,000**
Net tax at 32.5%	1000	$65	$65,000	$ 5,000	$ 55,000	$ 5,000	**$ 1,625**	**$3,375**

Alaska’s Unique Structure

Weakening Disclosures:

- In 2006, Alaska transitioned from a gross (ELF) to a net tax under the Petroleum Profits Tax (PPT)
  - It quickly became clear that the PPT system lacked sufficient disclosure, both to the Department of Revenue and the public
  - ACES (2007) implemented the current statute to address such concerns, requiring that data be aggregated among 3 producers in a unit.
- In 2016, DOR published information on four individual units. Today Prudhoe is the only one.

What’s the Problem?

Without insight into the profitability of oil individual producers in particular fields, the legislature could be—unknowingly:

1. Holding back industry to the detriment of all Alaskans through complex and onerous tax rates
2. Unfairly advantaging some producers over others
3. Incentivizing development of federal land over state land, decreasing royalty income
4. Allowing the maximum benefit of Alaska’s resources to flow to out-of-state oil producers instead of Alaskans themselves

What’s our solution?

Increased transparency

What's our solution?

HB 206 would require DOR to publish information about producers at the unit level:

1. The amount of oil or gas produced by each working interest owner in a unit (WIO)
2. The gross value at the point of production (GVPP) by WIO
3. Transportation costs attributable to the product by WIO
4. Production tax value (PTV) by WIO
5. Tax due by WIO
6. State royalty by WIO

This data is aggregated monthly.

What’s our solution?

- Most of this information is already public
  - Royalty information is produced by DOR
  - Production data is available from AOGCC
  - Transportation costs—pipeline tariffs and shipping rates—are largely public
  - GVPP is roughly calculable from production data and public price information.
- What’s not?
  - Production Tax Value
  - Tax Paid
  - Some companies publish this information voluntarily. Others don’t.

What's our solution?

- HB 206 would provide:
  - Transparency for the public and policymakers
  - Consistent disclosure in substance and format across producers
  - A meaningful dataset for analysis
  - A level playing field between producers

REPRESENTATIVE DONNA MEARS

Supplemental Slides

What's the context?

- Today, AS 43.55.890 governs the disclosure of tax information
- Requires information to be aggregated among three or more producers
- Allows for the publication of very detailed information—the lease and exploration expenditures themselves
- At the discretion of DOR
    - Aggregation threshold??
- HB 206 would make only a subset of this information public on an unaggregated basis.

- **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary provision of AS 40.25.100, and regardless of whether the information is considered under AS 43.05.230(e) to constitute statistics classified to prevent the identification of particular returns or reports, the department may publish the following information under this chapter, if aggregated among three or more producers or explorers, showing by month or calendar year and by lease or property, unit, or area of the state:
    (1) the amount of oil or gas production;
    (2) the amount of taxes levied under this chapter or paid under this chapter;
    (3) the effective tax rates under this chapter;
    (4) the gross value of oil or gas at the point of production;
    (5) the transportation costs for oil or gas;
    (6) qualified capital expenditures, as defined in AS 43.55.023;
    (7) exploration expenditures under AS 43.55.025;
    (8) production tax values of oil or gas under AS 43.55.160;
    (9) lease expenditures under AS 43.55.165;
    (10) adjustments to lease expenditures under AS 43.55.170;
    (11) tax credits applicable or potentially applicable against taxes levied by this chapter.

What’s the context?

- DOR doesn’t publish as much as is allowed
  - These reports are not made available on the DOR website
  - Other units besides Prudhoe—Colville River, for example—have more than 3 producers but are not included
- DOR has occasionally compiled aggregated producer tax data by request
  - In 2016, their disclosure provided information about Prudhoe Bay, Kuparuk, Duck Island, and Pt. Thomson
  - In 2025, the only unit DOR released information on was Prudhoe Bay.

REPRESENTATIVE DONNA MEARS

What’s the context?

- Weakening disclosure over time:

Reported ANS Lease Expenditures and Capital Lease Expenditures:
CY 2015 - CY 2024
Prepared April 18, 2025 by Economic Research Group

Total Lease Expenditures ($ Millions)	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**
Prudhoe Bay Unit	$2,534	$2,020	$1,715	$1,372	$1,700	$1,137	$1,023	$1,245	$1,395	$1,412
All Other ANS	$4,952	$3,069	$2,573	$3,280	$3,599	$3,385	$2,853	$3,238	$4,608	$6,872
Total ANS	**$7,486**	**$5,089**	**$4,288**	**$4,652**	**$5,299**	**$4,522**	**$3,876**	**$4,483**	**$6,003**	**$8,284**

Qualified Capital Expenditures ($ Millions)	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**
Prudhoe Bay Unit	$773	$503	$383	$202	$391	$119	$106	$238	$314	$350
All Other ANS	$3,285	$1,578	$1,186	$1,622	$1,935	$1,815	$1,381	$1,690	$2,873	$4,953
Total ANS	**$4,058**	**$2,081**	**$1,569**	**$1,824**	**$2,326**	**$1,934**	**$1,487**	**$1,928**	**$3,188**	**$5,303**

REPRESENTATIVE
DONNA
MEARS

What's the context?

- Weakening disclosure over time:

Reported ANS Lease Expenditures and Capital Lease Expenditures:
CY 2011-CY 2015 & FY 2016

Revised 11/21/16 by Dan Stickel

Total Lease Expenditures ($ Millions)	*CY 2011*	*CY 2012*	*CY 2013*	*CY 2014*	*CY 2015*	*FY 2016*
Prudhoe Bay Unit	$2,005.3	$2,144.8	$2,335.4	$2,658.7	$2,534.05	$2,404.4
Kuparuk Unit	$1,003.4	$980.5	$1,140.5	$1,615.9	$1,570.78	$1,442.9
Duck Island Unit	$144.0	$129.8	$115.6	$103.3	$103.96	$86.3
Point Thomson Unit	$166.2	$373.8	$629.2	$672.9	$996.25	$796.3
All Other NS Spending	$1,705.0	$1,872.2	$2,025.8	$2,267.7	$2,281.1	$1,924.2
Total ANS	**$5,023.9**	**$5,501.0**	**$6,246.4**	**$7,318.5**	**$7,486.1**	**$6,654.1**

Qualified Capital Expenditures ($ Millions)	*CY 2011*	*CY 2012*	*CY 2013*	*CY 2014*	*CY 2015*	*FY 2016*
Prudhoe Bay Unit	$507.3	$591.4	$826.2	$877.2	$773.0	$725.2
Kuparuk Unit	$435.8	$361.6	$517.9	$889.2	$883.8	$764.1
Duck Island Unit	$2.0	$5.6	$5.2	$0.0	$4.4	$4.1
Point Thomson Unit	$163.8	$395.3	$625.4	$624.8	$919.5	$715.4
All Other NS Spending	$1,059.4	$1,124.9	$1,245.6	$1,551.3	$1,476.9	$1,178.1
Total ANS	**$2,168.3**	**$2,478.9**	**$3,220.3**	**$3,942.5**	**$4,057.6**	**$3,387.0**

REPRESENTATIVE DONNA MEARS

What’s the context?

Other jurisdictions with net taxes require similar transparency

- Australia –Santos, Exxon, Conoco all publish financial information, including their deductible expenses, taxable profit, and tax paid under their Petroleum Resource Rent Tax
  - The Australia Tax Office also publishes a spreadsheet with the corporate income tax and PRRT collections for every large company in the country.
- Newfoundland and Labrador – The government publishes detailed “industrial benefits” reports that include deductible expenses by project
- Norway – Producers publish detailed financial information including gross revenue, taxable income, and taxes paid

REPRESENTATIVE DONNA MEARS

Santos (Australia)

ACCOUNTING PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE TO INCOME TAX EXPENSE / (BENEFIT)

There are no current material income tax expense/(benefit) differences, as between tax expense on pre-tax accounting profit and the adjusted income tax expense.

ITEM	$US MILLION
Accounting profit before income tax	**1,819**
Income tax expense/(benefit) @ 30%	546
Non temporary differences	
• Profits subject to different tax rates	(3)
• Movements in losses and deferred tax assets not recognised	3
• Deferred tax assets not previously recognised	(28)
• (Non-assessable)/non-deductible expenses	(10)
• Tax adjustments relating to prior years	(8)
• Royalty related tax expense	(82)
• Other	(15)
Tax expenses (benefit)	**403**

Exxon (Newfoundland)

Hebron					
Direct Project Employment					**Q1 2024**
Residency Status at Time of Hire	**Gender**	**Onshore**	**Offshore**	**Total**	**%**
Newfoundland & Labrador	Male	292	555	847	81%
	Female	125	14	139	13%
	Subtotal	**417**	**569**	**986**	**95%**
Other Canadian	Male	15	16	31	3%
	Female	2	0	2	0%
	Subtotal	**17**	**16**	**33**	**3%**
Non-Canadian	Male	12	7	19	2%
	Female	3	0	3	0%
	Subtotal	**15**	**7**	**22**	**2%**
Total		**449**	**592**	**1041**	**100%**

Gender Breakdown		Male	897	**86%**
		Female	144	**14%**
Number of Work Term Students		**Gender**		
Total	**27**	Male	23	**85%**
		Female	4	**15%**
Purchase Orders		**Location of Point of Purchase**		
Total Number of Purchase Orders	**2535**	Newfoundland & Labrador	1412	**56%**
		Other Canadian	734	**29%**
Total Value ($M)	**161.0**	Non-Canadian	389	**15%**
Awarded Contracts Valued Over $250,000		**Location of Contract Awards**		
		Newfoundland & Labrador	12	**52%**
Number of Awarded Contracts	**23**	Other Canadian	2	**9%**
		Non-Canadian	9	**39%**
Expenditures		**Content Estimates**		
		Newfoundland & Labrador		**61%**
Total ($M)	**116.2**	Other Canadian		**14%**
		Non-Canadian		**25%**

Hilcorp (Texas)

PROGRAM: T37120 — STATE OF TEXAS — PAGE: 3

COMPTROLLER OF PUBLIC ACCOUNTS — DATE: 10/25/24

NATURAL GAS TAX-PRODUCER

TAXPAYER HISTORY FOR 2401 TO 2401

TP NUMBER: 1-76-0244942-7

TP NAME: HILCORP ENERGY COMPANY

DATA RECORDS FOR 2401

REPORT TYP LOCATOR NR DLN REF/NR	COMMODITY CODE COUNTY NAME DRLG PERMIT	LEASE TYPE COUNTY CODE LEASE NUMBER	EXEMPTION TY API NUMBER OFF LSE/TAX RE	PURCHASER NBR PURCHASER NAME LIABLE FOR TAX	TOT LEASE VOL YOUR VOL VAL YOUR VOL	GOVT RYLTY VOL GOVT RYLTY VAL MRKTING COSTS	NET TAX VALUE TYPE 05 REDUCED RATE TAX DUE TYPE 05 REPORT ERRORS
ORIGINAL	1	2			4,748	0	4,439.88
0000004	GALVESTON	084	- 0	OFF LEASE SALE	4,237	0.00	0.000
24079970437	NO	201777	YES / NO	YES	9,968.92	5,529.04	0.00
							NO
ORIGINAL	1	2			442	0	27.10
0000005	REFUGIO	196	- 0	OFF LEASE SALE	37	0.00	0.000
24079970437	NO	208164	YES / NO	YES	96.44	69.34	0.00
							YES
ORIGINAL	1	2			169	0	201.40
0000006	BROOKS	024	- 0	OFF LEASE SALE	169	0.00	0.000
24079970437	NO	222996	YES / NO	YES	434.07	232.67	0.00
							NO
AMENDED	1	2			169-	0	201.40-
0000006	BROOKS	024	- 0	OFF LEASE SALE	169-	0.00	0.000
24155970178	NO	222996	YES / NO	YES	434.07-	232.67-	0.00
							NO
SUB TOTAL					442	00	27.10
					37	0.00	
					96.44	69.34	00.00
AMENDED	1	2			169	0	201.40
0000006	BROOKS	024	- 0	OFF LEASE SALE	169	0.00	0.000
24282970330	NO	222996	YES / NO	YES	434.07	232.67	0.00
							NO
SUB TOTAL					169	00	201.40
					169	0.00	
					434.07	232.67	00.00

Santos (Aus)

Western Australia

Western Australia	**2024**	**2023**
Production (mmboe)	**18.9**	21.1
Sales volume (mmboe)	**21.1**	21.4
Revenue (US$m)	**850**	853
Production cost (US$/boe)	**10.21**	9.87
EBITDAX (US$m)	**516**	596
Capex – Upstream (US$m)	**398**	200
Capex – SES (US$m)	**41**	55

Western Australia EBITDAX of $516 million was 13 per cent lower than the corresponding period in 2023, predominantly driven by lower sales volumes, increased third-party purchase costs and a decrease in product inventory. The Halyard-2 infill well was drilled, completed and tested in 2024, and is expected to come online in early 2025.

Alaska Business Unit

Santos' assets in Alaska comprise of exploration and development licences, including the Pikka Unit (Santos 51 per cent equity interest), Horseshoe Unit (Santos 51 per cent equity interest) and Quokka Unit (Santos 46.6 per cent equity interest).

The Pikka phase 1 project remains on schedule to deliver first oil in 2026 and at 31 December 2024 was 74.0 per cent complete. The first winter program was a success finishing in early 2024, with all facility piles installed, all vertical supports in place, and 40 miles of pipeline laid. The second winter season has now commenced and the drilling program is progressing, with results in line with pre-drill expectations.