

February 12, 2010

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
House Resources Committee
Capitol Building
Juneau, AK 99801

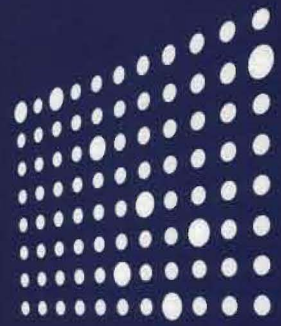
RE: HB 308

Co-Chairs & members of the House Resources Committee,

The Alaska State Chamber of Commerce strongly supports HB 308. The Chamber has been concerned about the continued decline in production of oil and gas here in Alaska. The production decline will ultimately offset any gains in state revenues made by recent tax hikes through ACES. The recent tax increases may even be detrimental to new oil and gas exploration as financial resources are limited in a faltering global economy. Without implementation of HB 308 or similar legislation, new oil exploration and new production will be limited altogether thus creating havoc for our state budgeting process through the loss of revenues from lacking oil production.

Although the ACES legislation passed two years ago raised the state's taxes on oil and gas, current trends in declining oil and gas production suggest that the state will not be able to balance its budget in 5 years or less. Simply, we cannot continue to hope that prices will rebound substantially enough for recent increases in taxes to fill future state budget expectations. Another option must be considered to increase oil production, which currently funds 90% of the state's general fund budget. HB 308 attempts to maintain much of the tax structure passed under ACES, while giving serious financial incentives for exploration and new drilling.

As are aware, we are just beginning to recover from a serious global economic meltdown. In some cases it may take years for a full recovery to be evident. Investment in exploration and prospectus drilling is paramount to increasing oil and gas development in the state. Under current economic conditions, most companies have entered a regressed approach to future investment in prospectus drilling, here in Alaska and elsewhere around the world. HB 308 counters by providing direct incentives for new drilling, up to a 30% recapture of new investment. While there is always resistance in providing tax breaks to industry, HB 308 balances the interests of the state with future production, which creates new state revenues.



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Again, the State Chamber strongly supports HB 308. We are hopeful the committee will be deliberate and balanced in its approach and work on the legislation. Finding long-term sustainability for the oil industry while providing long-term sustainability for state budgeting should be of the utmost priority.

Respectfully,

Wayne A. Stevens
President/CEO

