



# HB 3001 Overview



*Presentation to the  
House Resources Committee  
April 20, 2012*



# HB 3001

## Goals



- To incentivize production on the North Slope, both within and outside existing units
- To generate additional jobs and activity for the Alaska economy
- To build on work already undertaken in legislative committees during the regular session
- To maintain existing structure of ACES, with slight modifications
- To maintain alignment of working interest owners by not tying incentives to individual companies



# HB 3001

## Key Provisions



- 30% gross revenue exclusion for calculating base tax and progressive tax for qualifying new North Slope fields
- 40% gross revenue exclusion for calculating progressive tax for other North Slope fields
- Maximum tax rate changed from 75% to 60%
- Extends 40% well lease expenditure credit to North Slope
- Allows capital credits to be redeemed in the year earned (currently must be spread over 2 years)



# HB 3001

## Hybrid of Other Tax Proposals

- Gross revenue exclusion introduced in Senate Finance Committee during regular session as a way to incentivize production
- Production tax cap of 60% introduced in Senate Resources Committee during regular session as a way to limit state take at high oil prices
- Well lease expenditure credit introduced and enacted in 2010 through Cook Inlet Recovery Act (HB 280)



# How the Gross Revenue Exclusion Works

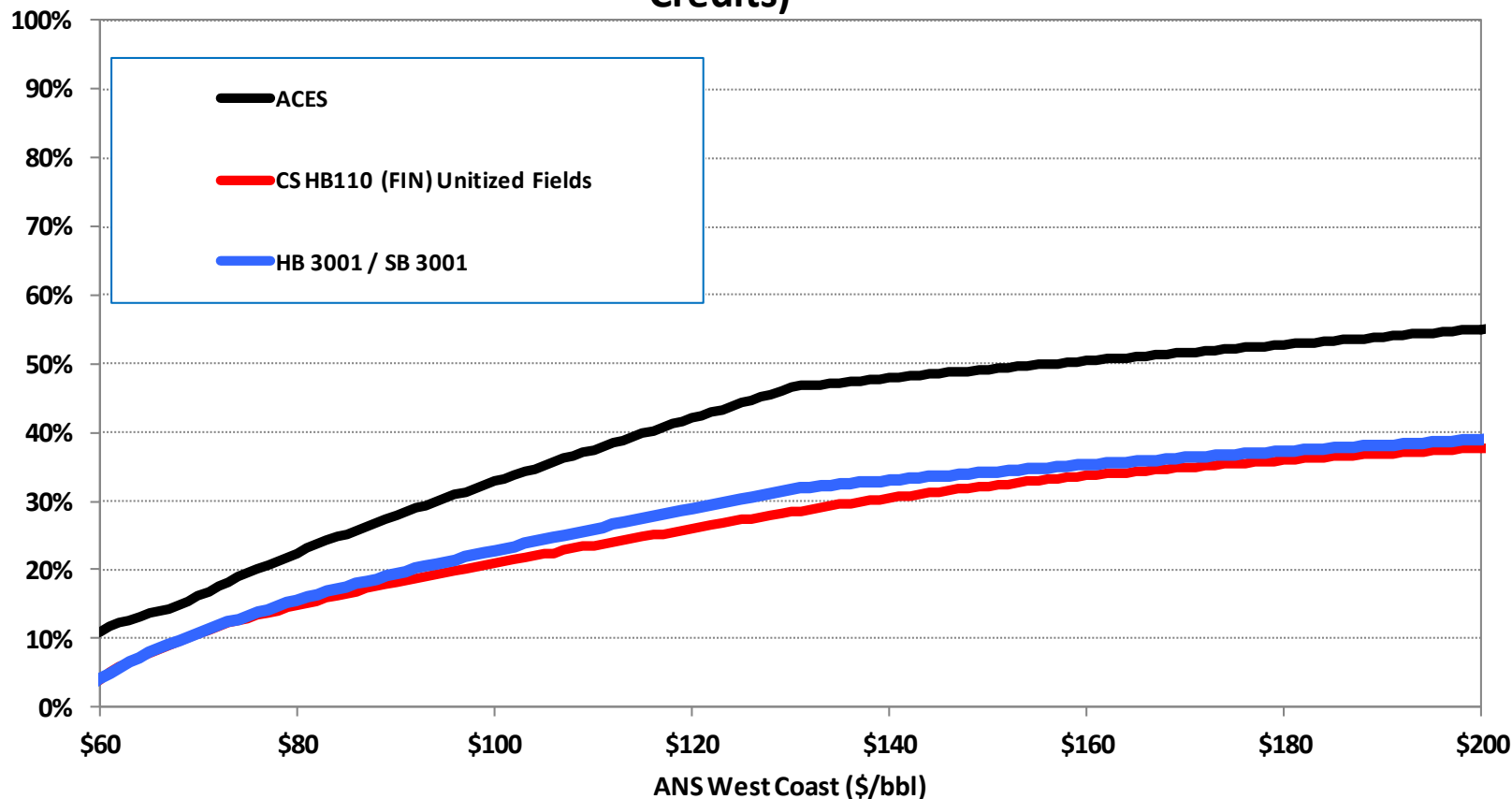


| FY 2013 Production Tax Estimates - for ILLUSTRATION ONLY - Assumes HB/SB 3001 in place for all of FY13 |          |             |             |                           |
|--|----------|-------------|-------------|---------------------------|
| Column A   | B        | C           | D           | E                         |
|  | Price    | Barrels     | ACES (\$M)  | HB/SB 3001 Existing (\$M) |
| 1 Avg ANS Oil Price (\$/bbl) & Daily Production (bbls)   | \$109.47 | 555,227     | \$60.8      | \$60.8                    |
| 2 Sales value total barrels  |          | 202,657,895 | \$22,185.1  | \$22,185.1                |
| 3  |          |             |             |                           |
| 4 Downstream (Transportation) Costs (\$/bbl)   |          |             |             |                           |
| 5 ANS Marine Transportation  | -\$2.70  |             |             |                           |
| 6 TAPS Tariff  | -\$4.96  |             |             |                           |
| 7 Other  | -\$0.91  |             |             |                           |
| 8 Total Transportation Costs   | -\$8.56  | 202,657,895 | (\$1,735.3) | (\$1,735.3)               |
| 9  |          |             |             |                           |
| 10 Wellhead value total barrels  | \$100.91 |             | \$20,449.9  | \$20,449.9                |
| 11 Royalty, Federal and other barrels  |          | -30,158,081 | (\$3,043.2) | (\$3,043.2)               |
| 12 Gross value at Point of Production (GVPP)   |          | 172,499,814 | \$17,406.7  | \$17,406.7                |
| 13   |          |             |             |                           |
| 14 Deductible Lease Expenditures   |          |             |             |                           |
| 15 Deductible Operating Expenditures   | -\$13.75 |             | (\$2,372.5) | (\$2,372.5)               |
| 16 Deductible Capital Expenditures   | -\$15.36 |             | (\$2,648.9) | (\$2,648.9)               |
| 17 Total Lease Expenditures  | -\$29.11 | 172,499,814 | (\$5,021.5) | (\$5,021.5)               |
| 18   |          |             |             |                           |
| 19 Production Tax  |          |             |             |                           |
| 20 Production Tax Value (PTV)  |          |             | \$12,385.2  | \$12,385.2                |
| 21 Base Tax (25%*PTV)  |          |             | \$3,096.3   | \$3,096.3                 |
| 22 Production Tax Value per barrel   | \$71.80  |             |             |                           |
| 23 Progressive Tax Rate  | 16.7%    |             |             |                           |
| 24 Gross Revenue Exclusion (40% * GVPP)  |          |             | N/A         | (\$6,962.7)               |
| 25 Production Tax Value or Adjusted Production Tax Value   |          |             | \$12,385.2  | \$5,422.6                 |
| 26 Progressive Tax (Progressive Tax Rate * PTV or APTV)  |          |             | \$2,070.7   | \$906.6                   |
| 27 Total Tax before credits  |          |             | \$5,167.0   | \$4,002.9                 |
| 28 DELTA - Total Tax before credits  |          |             |             | (\$1,164.1)               |
| 29   |          |             |             |                           |
| 30 Credits (estimated)   |          |             | (\$450.0)   | (\$750.0)                 |
| 31 Estimated Total Tax after credits   |          |             | \$4,717.0   | \$3,252.9                 |
| 32 DELTA - Total Tax after credits   |          |             |             | (\$1,464.1)               |
| See Page 104 of Fall 2011 Revenue Sources Book regarding the limitations of this presentation format.  |          |             |             |                           |



# Effective production tax rates

## Effective Production Tax Rate for existing production (Post-Credits)

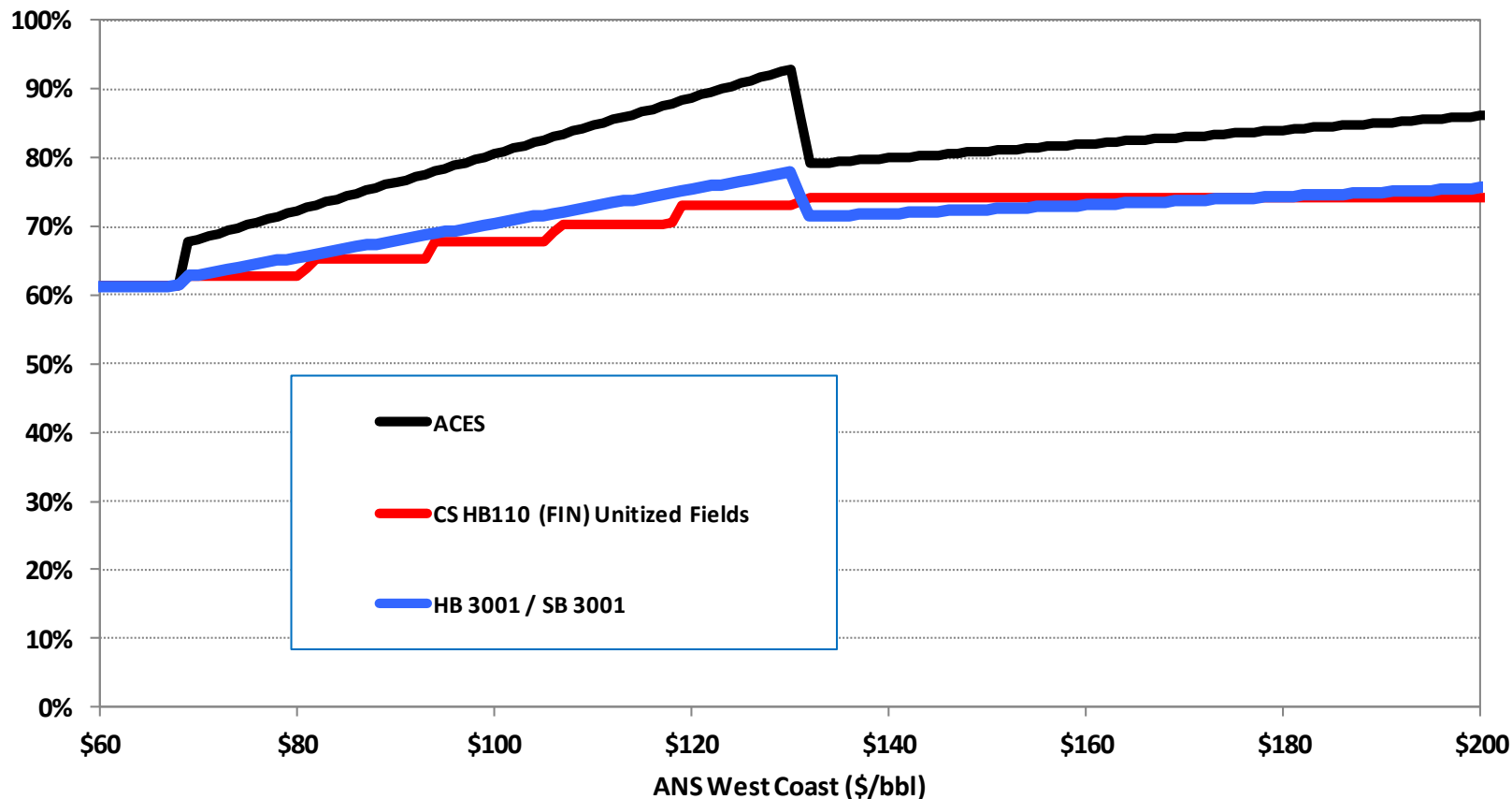


Assumes FY 2013 Transport costs of \$8.56/ bbl, Opex of \$13.75 per taxable barrel, and Capex of \$15.36 per taxable bbl.



# Marginal Government Take

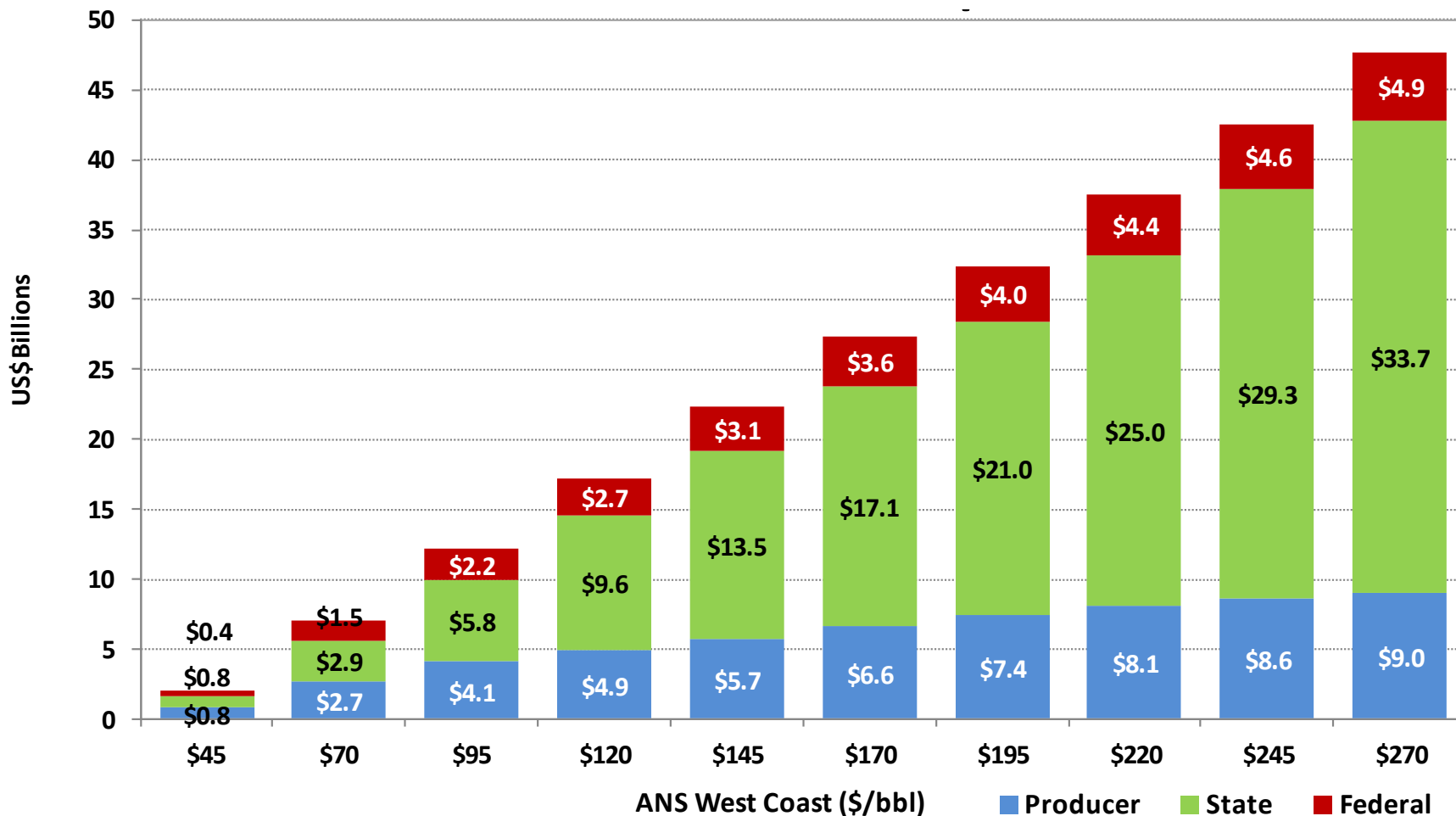
## Marginal Government Take for existing production



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# Absolute Profit – ACES

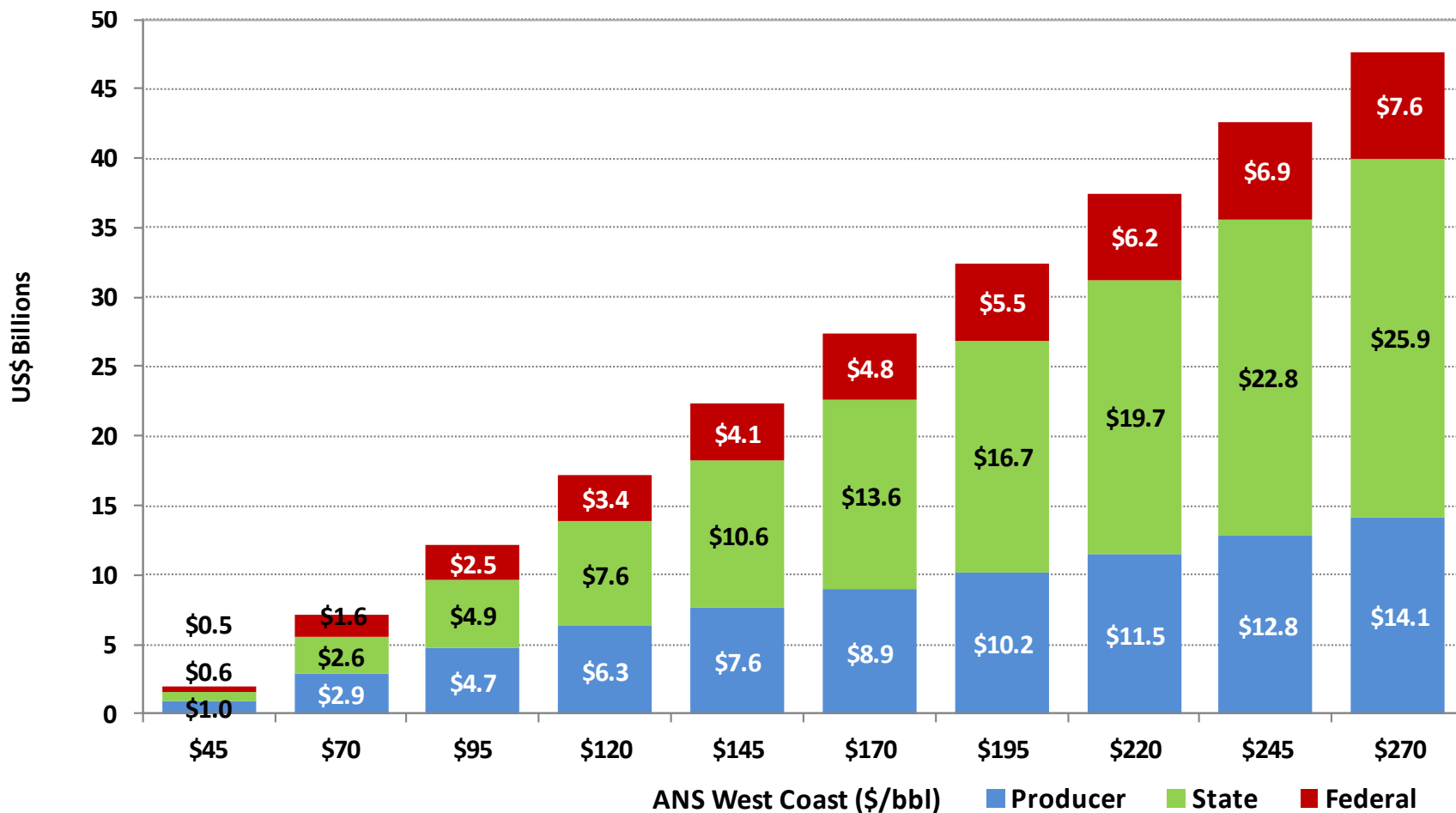


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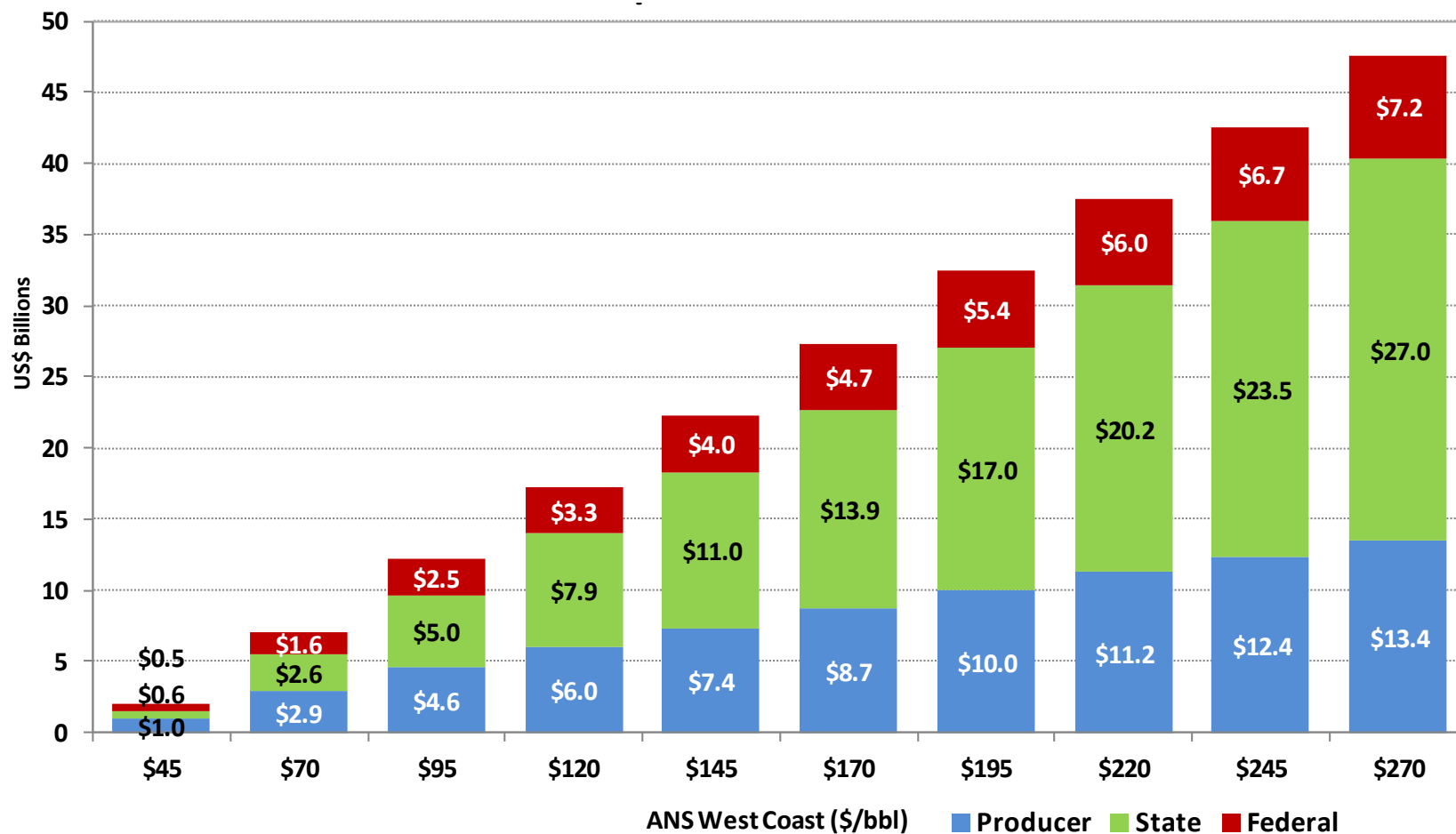
# Absolute Profit – CSHB 110 (FIN)



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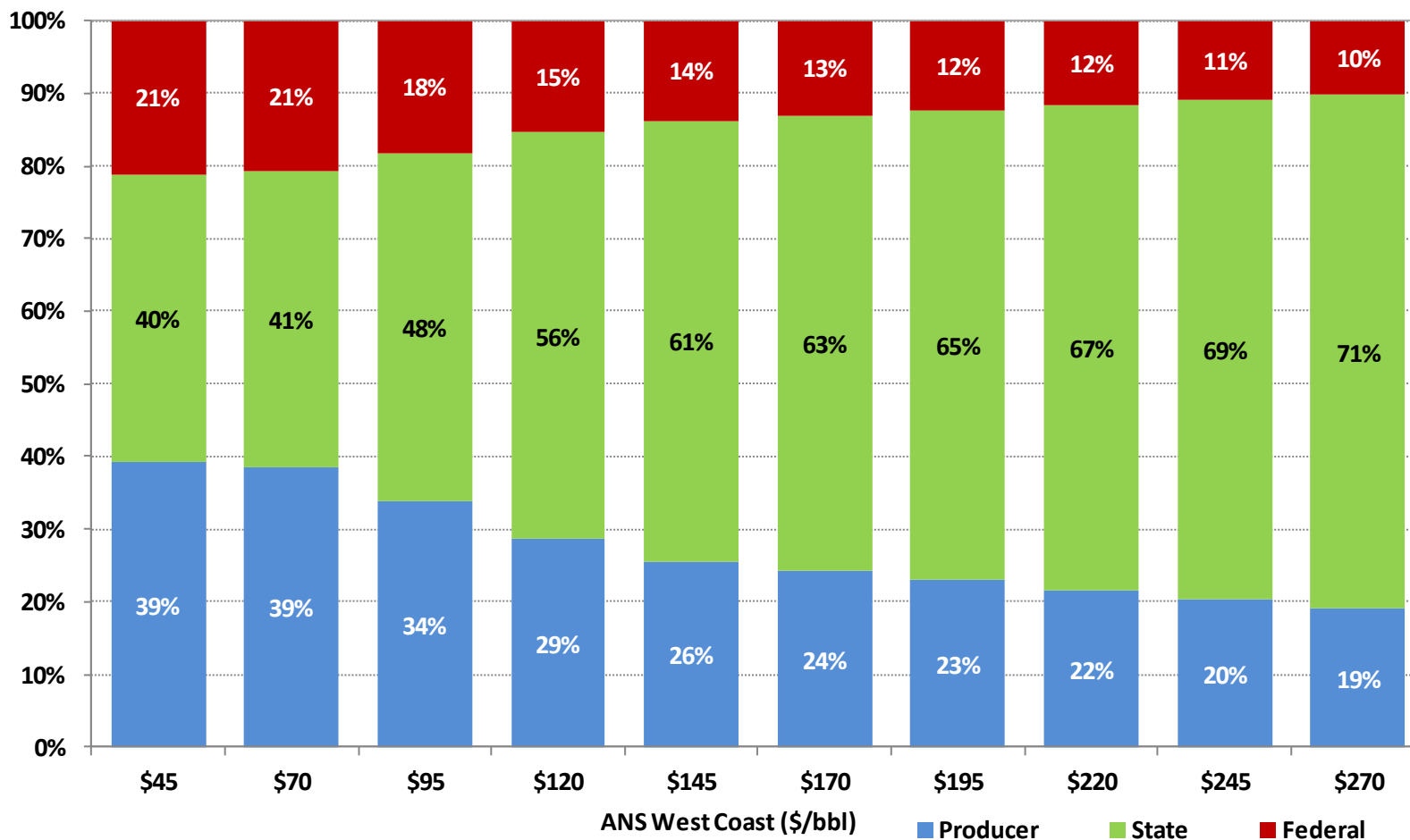
# Absolute Profit – HB 3001



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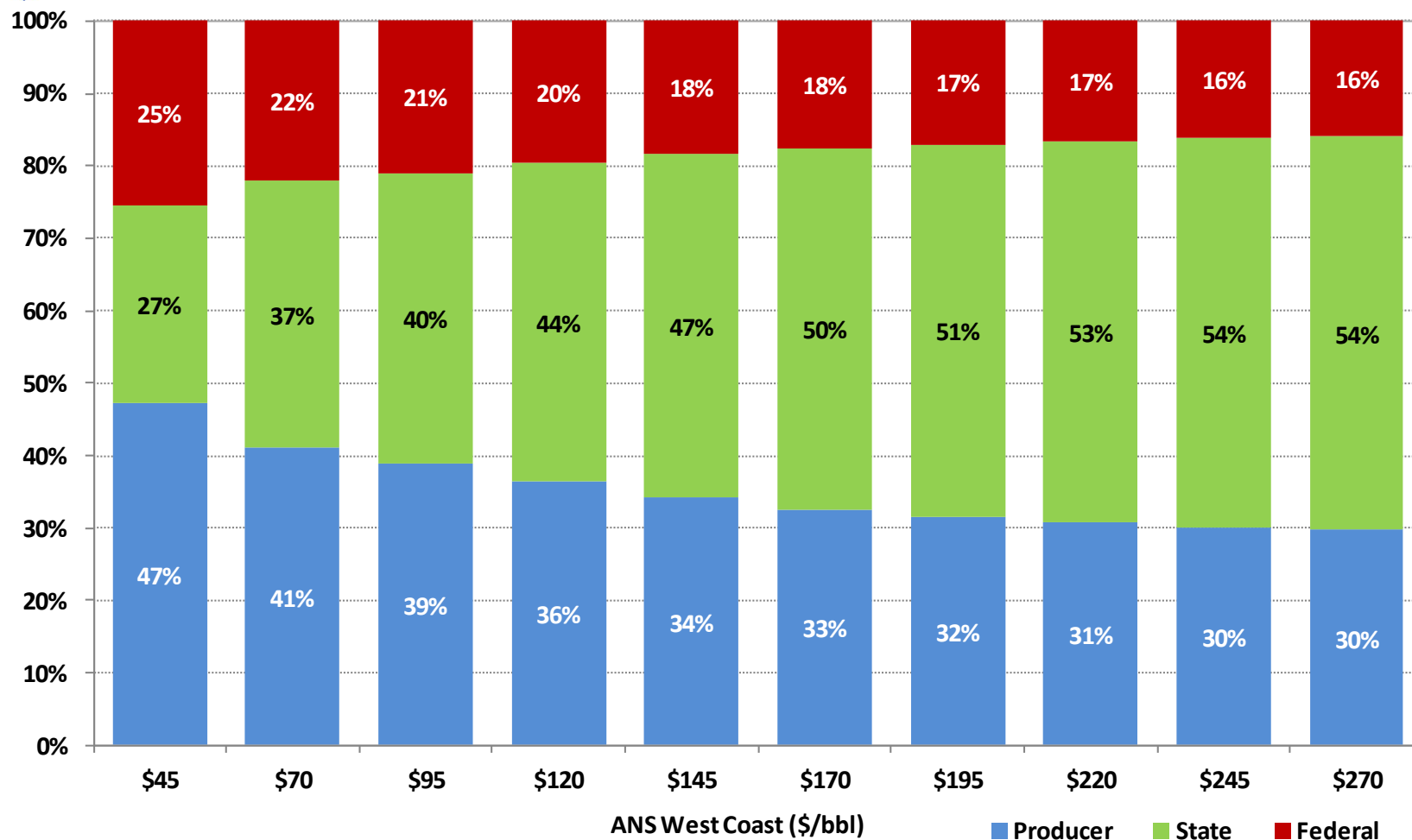
# Share of Profit – ACES



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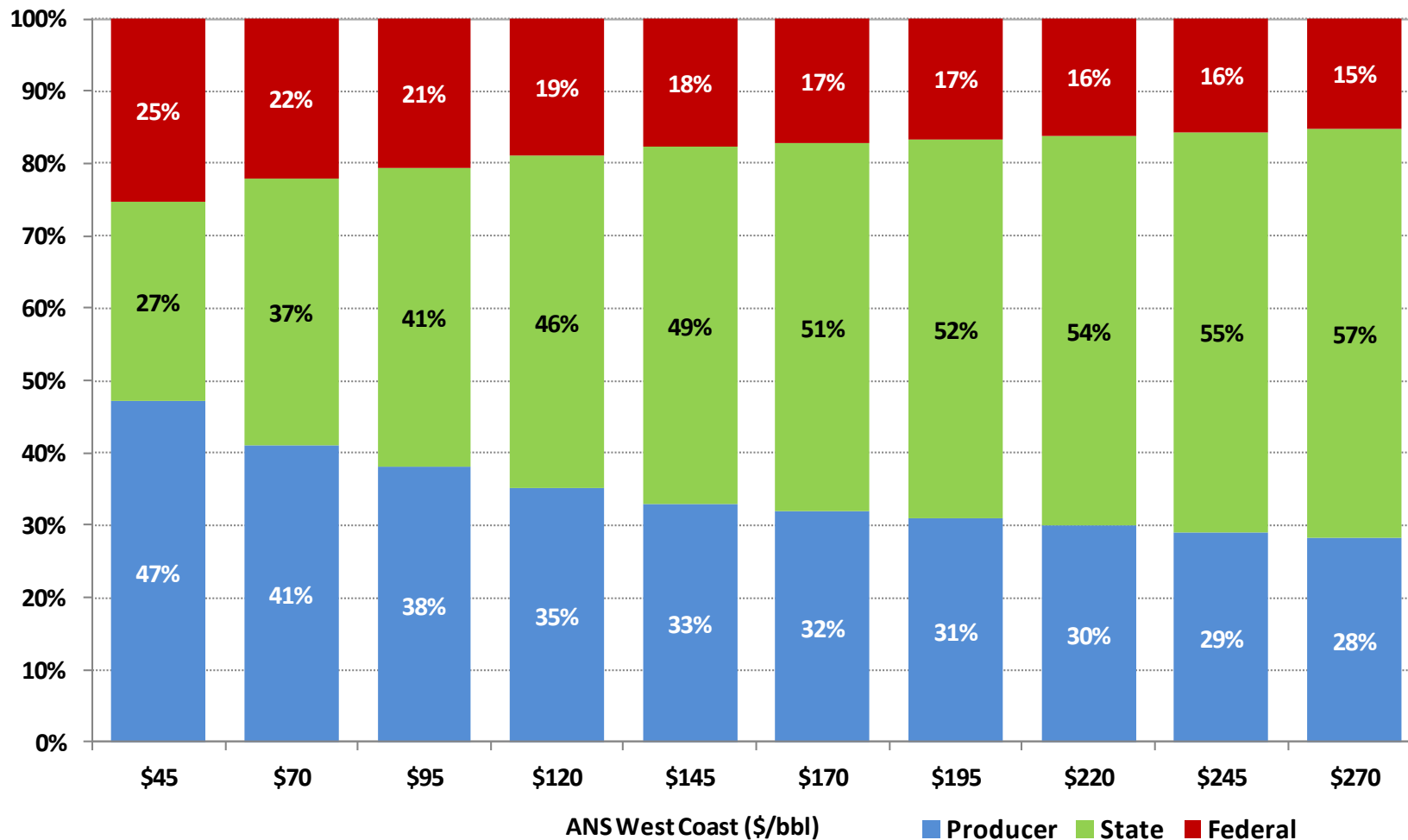
# Share of Profit – CSHB 110 (FIN)



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# Share of Profit – HB 3001



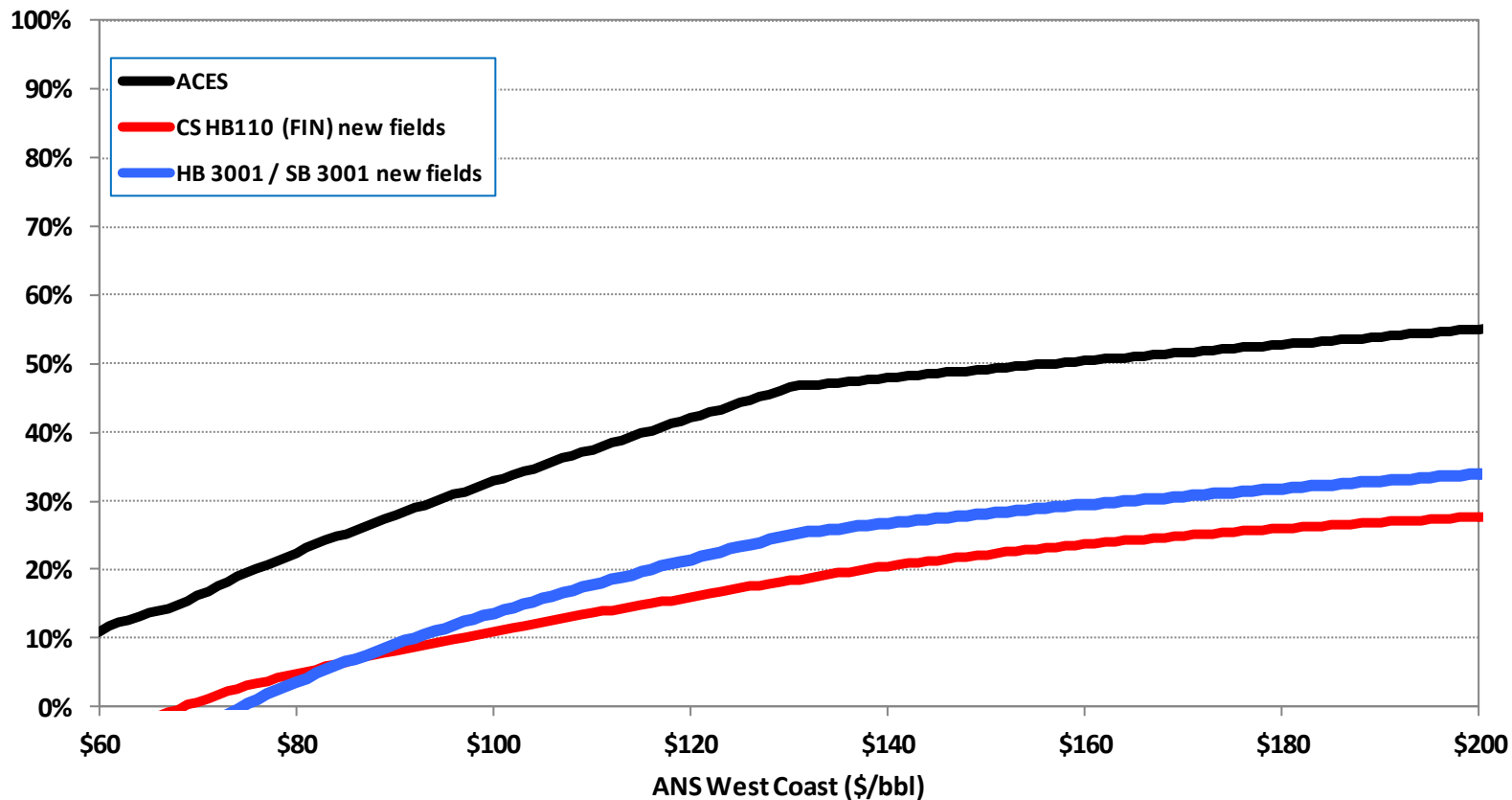
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# Effective production tax rates – new fields



Effective Production Tax Rate for new fields (Post-Credits)

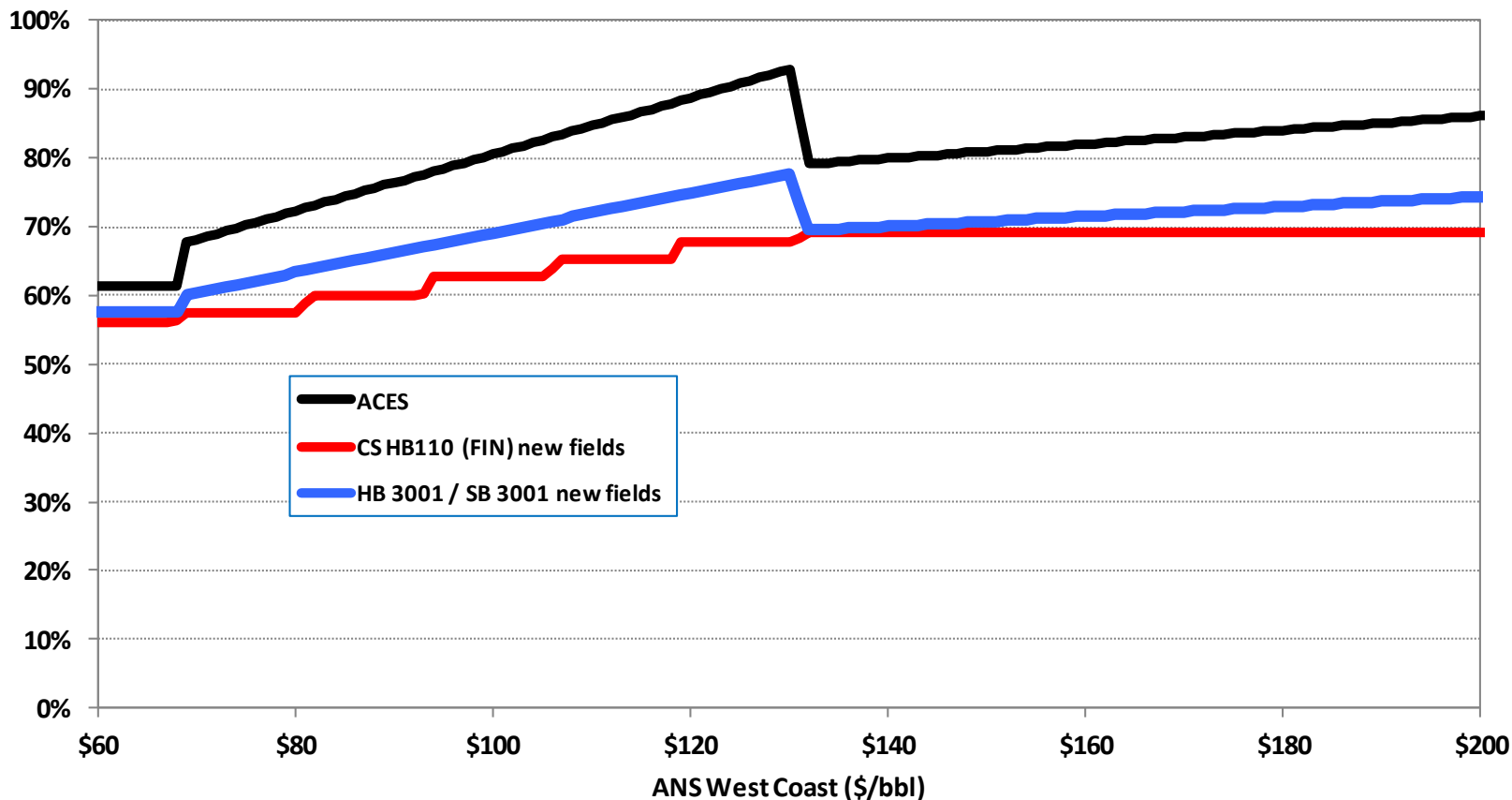


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# Marginal Government Take – new fields

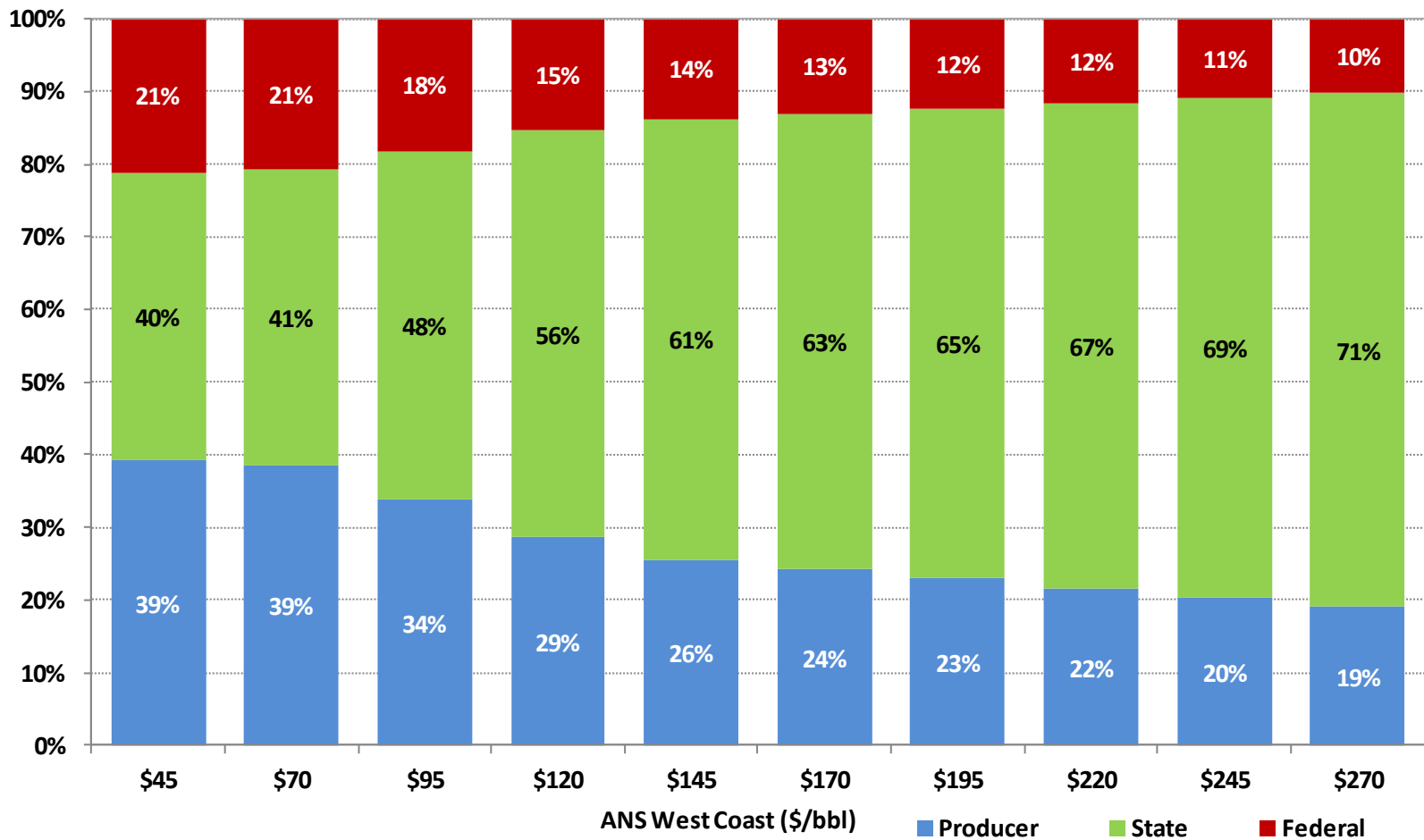
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# Share of Profit – ACES new fields

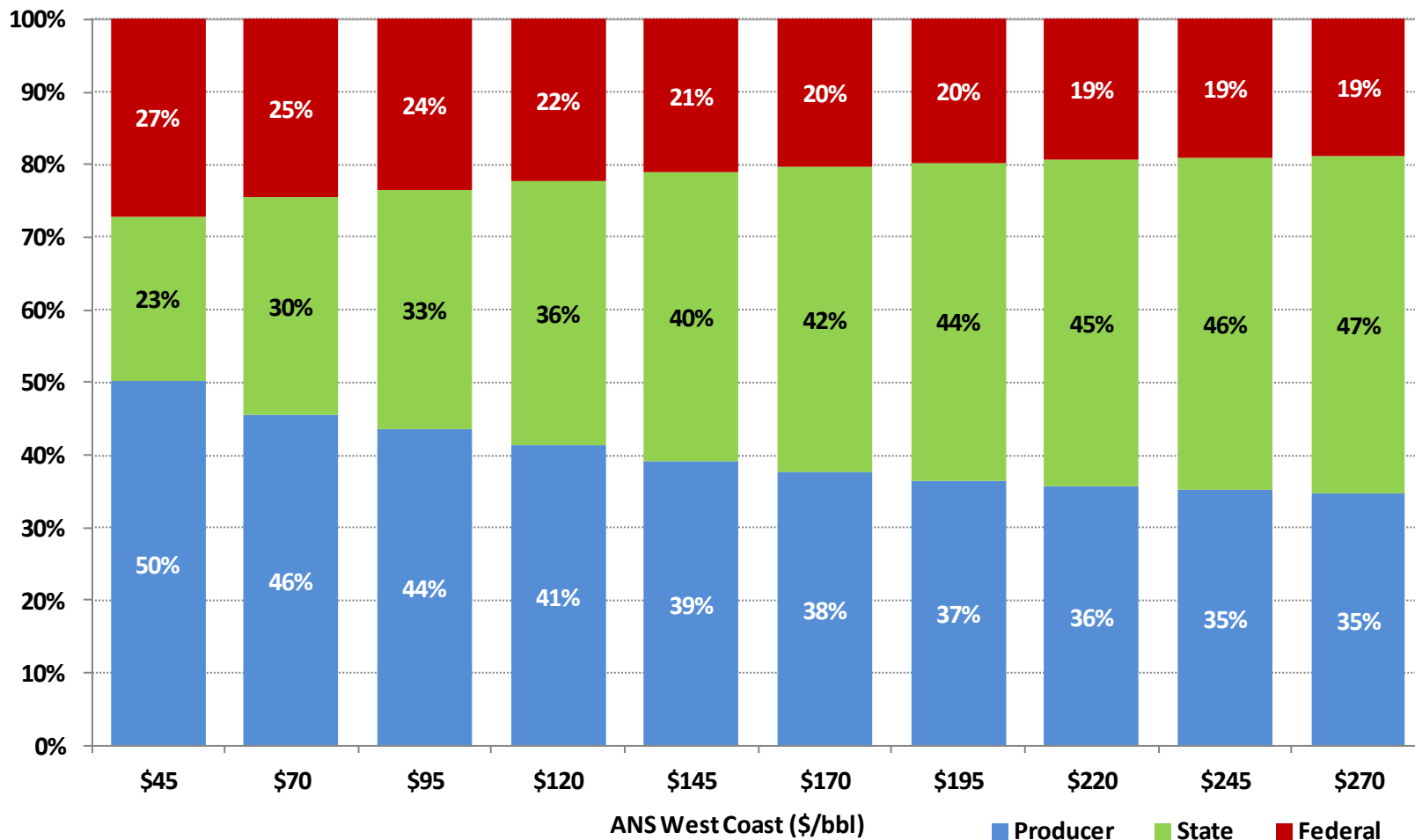


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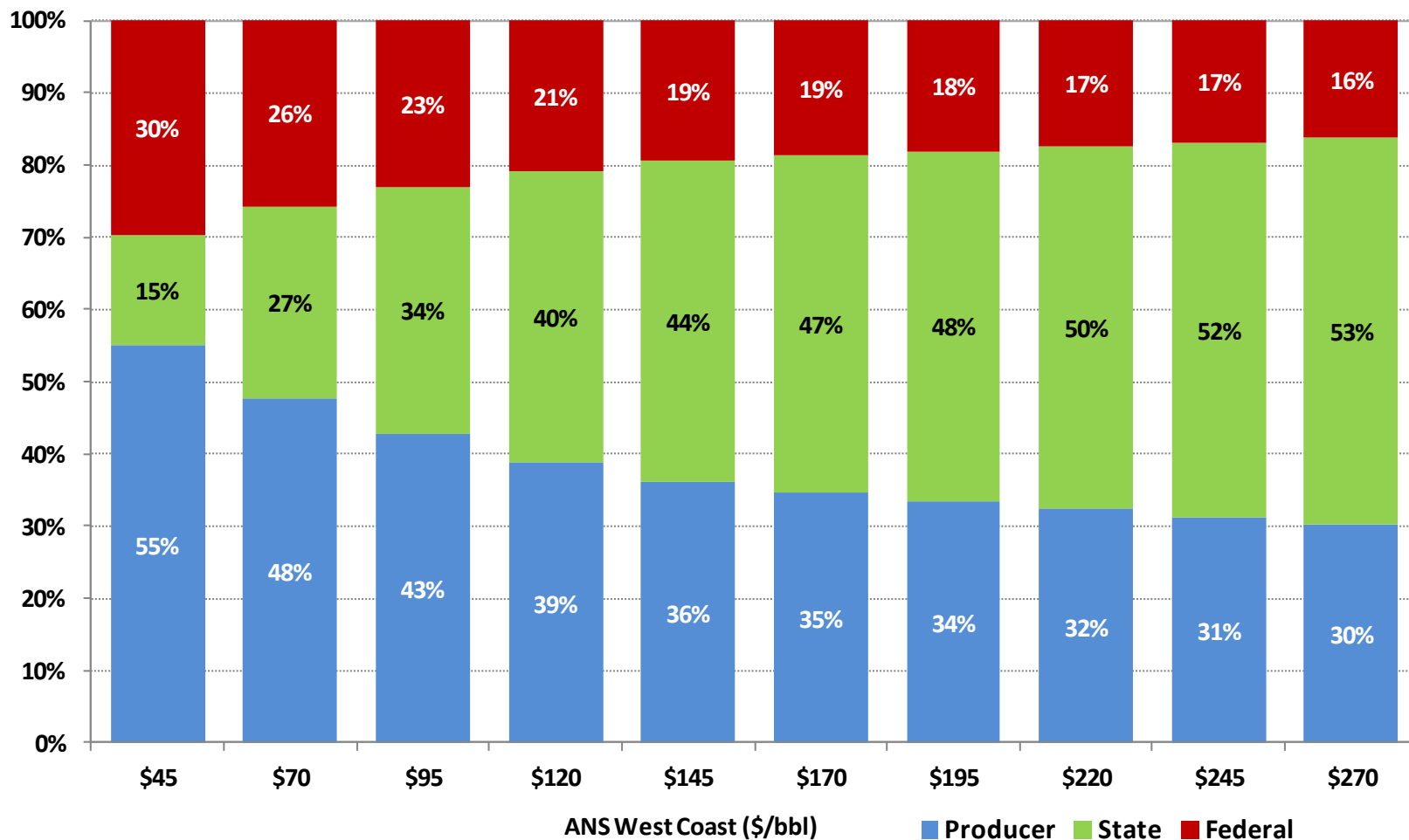
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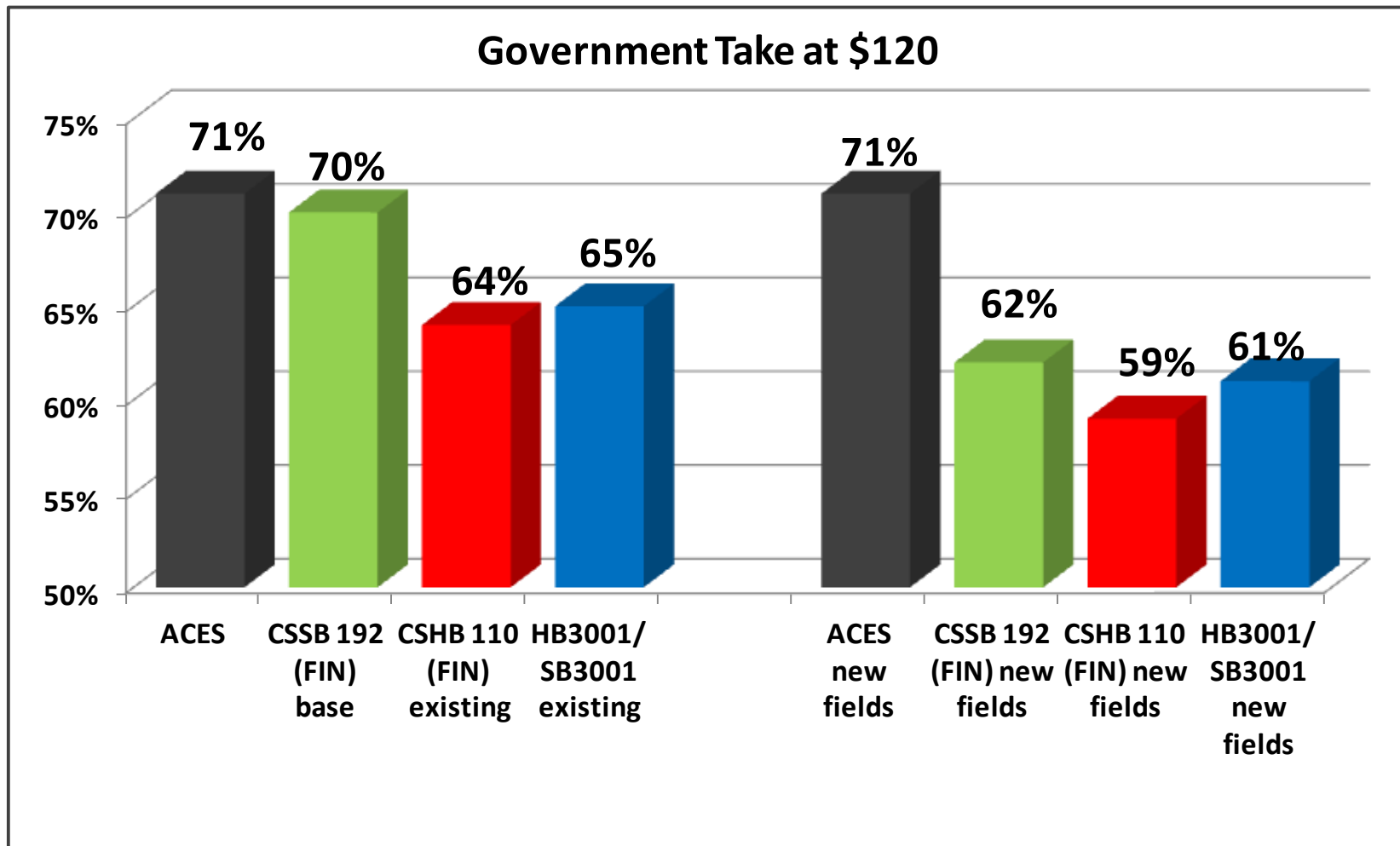
# Share of Profit – HB 3001 new fields



Assumes FY 2013 Transport costs of \$8.56/ bbl, Opex of \$13.75 per taxable barrel, and Capex of \$15.36 per taxable bbl.



# Government Take - comparison



Assumes FY 2013 Transport costs of \$8.56/ bbl, Opex of \$13.75 per taxable barrel, and Capex of \$15.36 per taxable bbl.



# HB 3001 Summary



- Provisions in HB 3001 / SB 3001 represent “meaningful change”
- Meaningful change is needed to incentivize development of Alaska’s oil resources
- Meaningful change is needed to stimulate jobs and economic activity for Alaska’s economy
- Producers have committed to additional investment contingent on meaningful change



# Questions?