



Alaska's Production Tax: Discussing the Issue



*Presentation to the
House Resources Committee
April 21, 2012
Alaska Department of Revenue*



Facts to Begin the Conversation



- Oil prices have been at all time highs for several years
- Other oil producing regions have been enjoying production and employment booms
- Competition is high - many other areas to invest around the world



According to the USGS, It's Certainly Not A Resource Issue.....



- There's no debating.....Alaska is a world-class energy basin
- Cumulative production through 2010 over 16B barrels
- Oil: Estimated to have 40B barrels of conventional oil
- Gas: Estimated to have 236 TCF of conventional natural gas
- Plus tens of billions of heavy & viscous oil as well as shale oil & gas



More Important Points



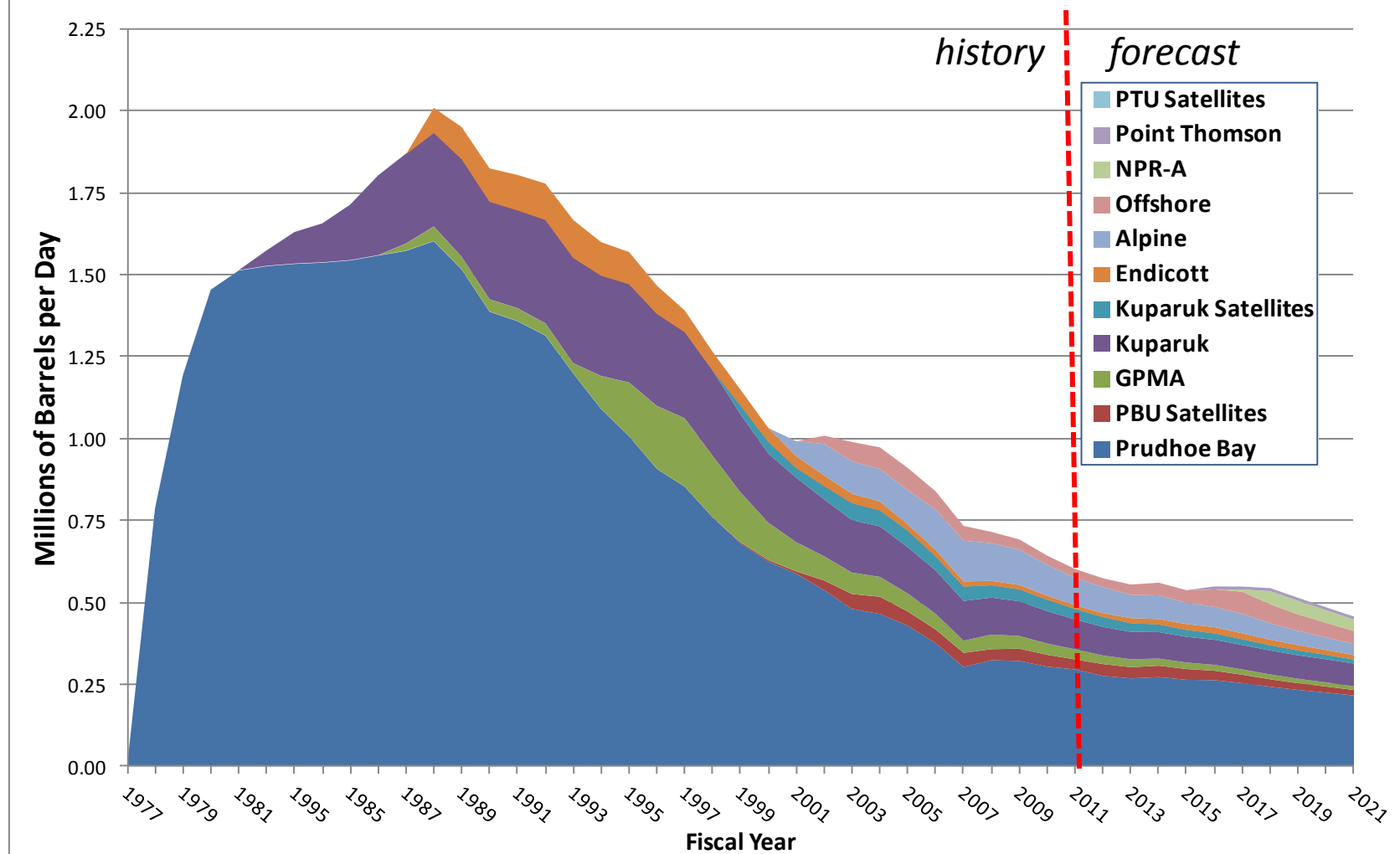
1. As a State, we are in a position we've never been in before
2. PPT/ACES Debate: "Actual" information utilized? Unfortunately No.....was not available
3. Decision makers, through no fault of their own, had to rely on modeling, forecasts, projections, theoretical assumptions
4. We now have the luxury to look back and see what actually happened over the past 5 years
5. What do we see? Record high oil prices lead to oil & employment booms in competing oil producing regions
6. And Alaska continues to decline.....



Historical Oil Production



ANS production History & Fall 2011 Forecast



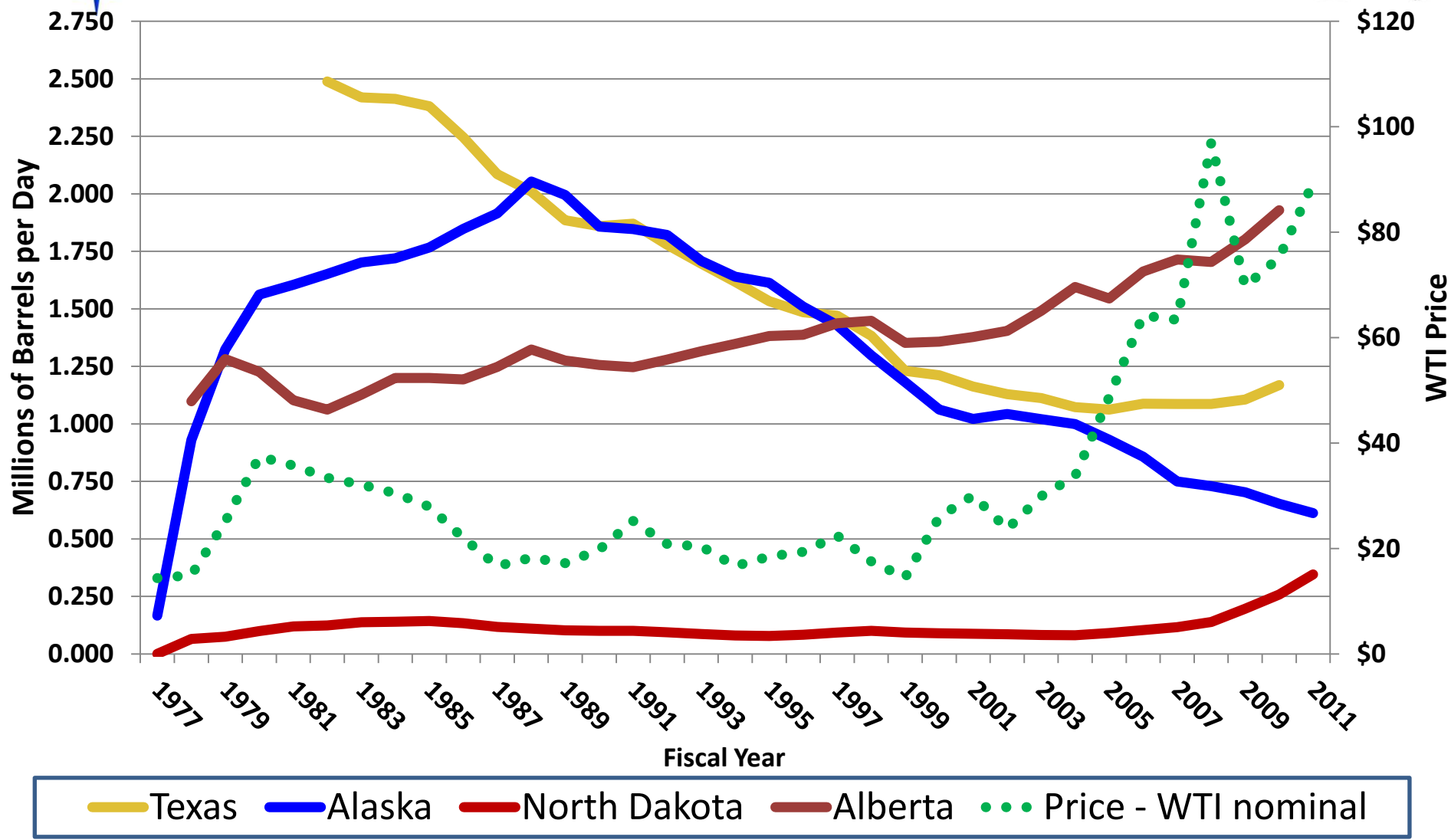
4/21/2012

Department of Revenue



Historical Oil Production:

How Did Our Competition Fare When Prices Spiked?





Two Distinct Elements of ACES: Can't discuss one without the other



1. Tax Credits:

- ☐ Very generous tax credits made available over past several years help spur the anticipated exploration
- ☐ Enthusiasm of explorers encouraging but they will eventually need to become or partner with producer

2. Production Tax:

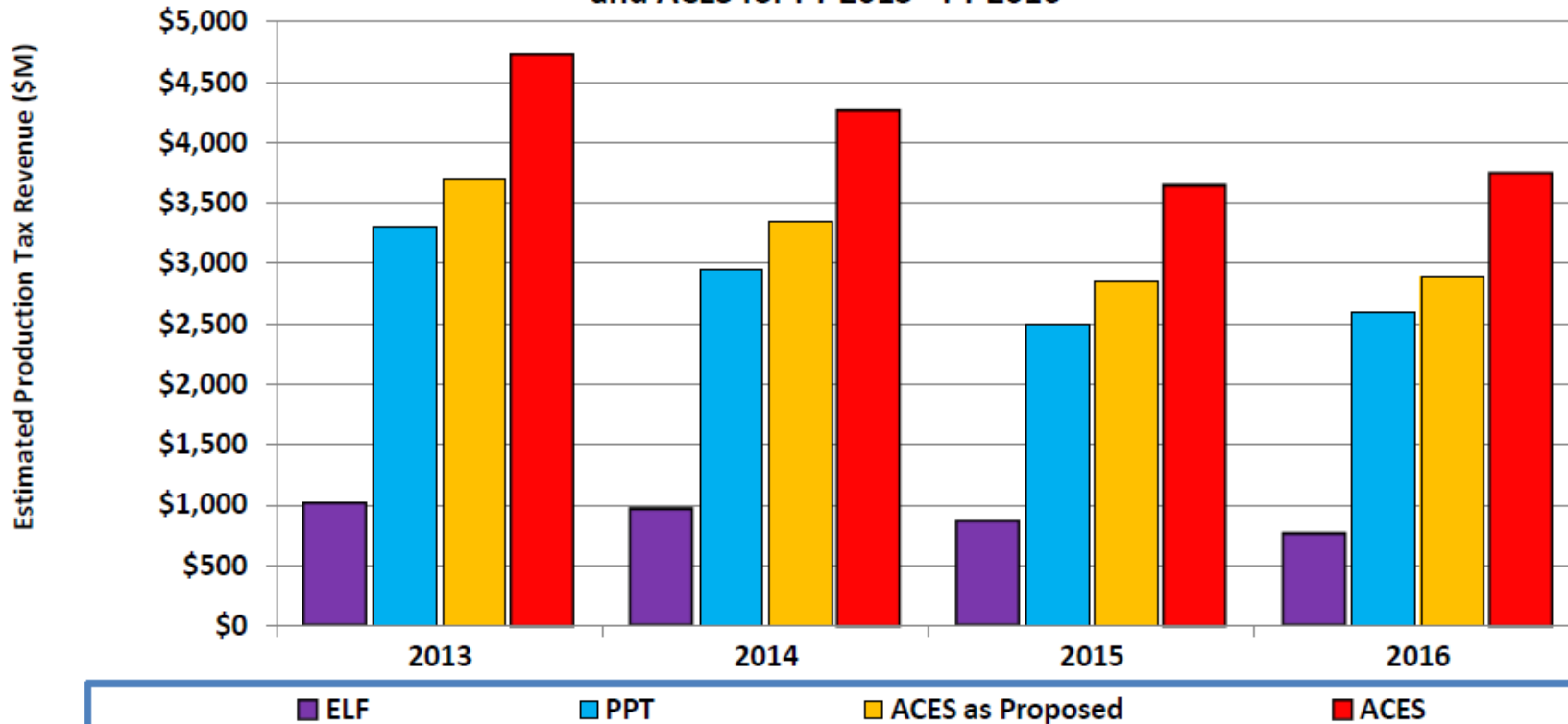
- ☐ Very progressive at high oil prices which makes AK not as attractive when compared to other world-wide options
- ☐ This “windfall tax”, while filling AK state coffers during the short term, is contributing to competitiveness issue long term



ELF, PPT & ACES: Did The Pendulum Swing Too Far?



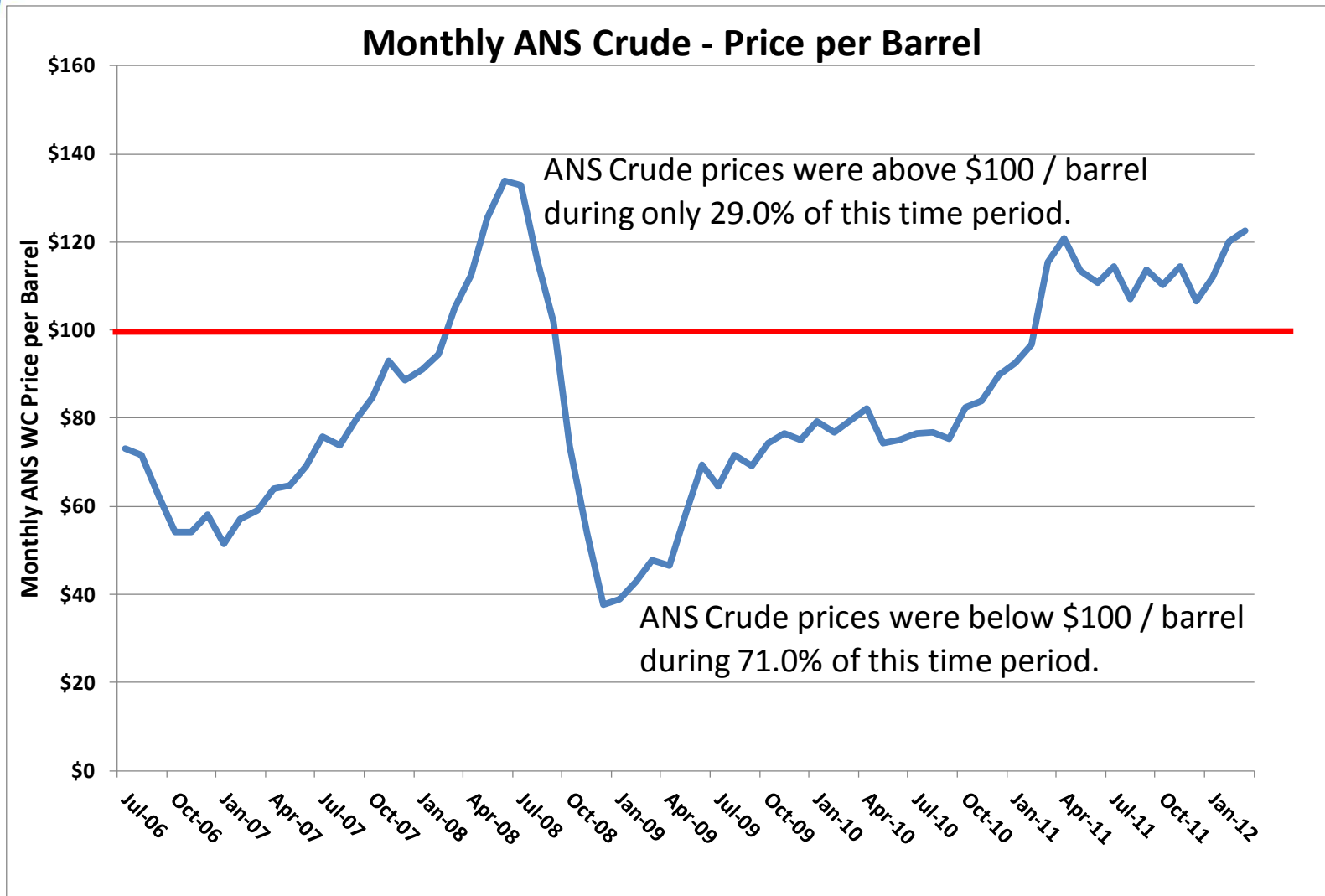
Comparison of Estimated Production Tax Revenue From ELF, PPT, ACES as Proposed
and ACES for FY 2013 - FY 2016



Based on Fall 2011 Revenue Forecast assumptions.



Monthly ANS Crude Prices Under Net Tax System





Questions?