

Alaska State Legislature

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REPRESENTATIVE PAUL SEATON HOUSE DISTRICT 30

Sponsor Statement

HB 230

An impediment to increasing oil and gas production is the difficulty of access to production facilities due to current water or gas handling limitations or the current owners' desire to reserve space for their own future potential operations. HB 230 helps remove this impediment by authorizing the Alaska Industrial Development and Export Authority (AIDEA) to finance at commercially reasonable terms oil and gas production facilities in Alaska. This will allow smaller North Slope players to have access to the infrastructure that is critical to getting their oil into the 'the pipe' and to market. Participation by AIDEA in processing facilities would provide returns to the state in interest payments above that of our other projected investment returns, as well as increased TAPS throughput.

AIDEA statute requires legislative approval for projects over \$10 million, and the statutes set a \$400 million limitation on the total issuance of bonds. Passage of HB 230 constitutes legislative approval for the issuance of up to \$200 million in additional bonds for North Slope oil or gas processing facilities and infrastructure. The \$400 million bonding limitation is removed for oil and gas projects under HB 230, giving the agency more flexibility in its financing arrangement. Although the terms vary by project, AIDEA has discussed a 10-12 percent interest rate over a 10-year payback period as a possibility for large project financing. HB 230 would accelerate production, increase jobs in Alaska and, at 10-12 percent interest, would make more money than the state's other investments.

HB 230 creates an oil and gas infrastructure fund within AIDEA. This is established to provide a source of funding should the legislature determine that they do not want AIDEA to sell bonds and instead prefer depositing money into a fund from which AIDEA could loan. Additionally, HB 230 specifies that the oil and gas projects financed under the terms of the bill are subject to property tax.