

CEA Ak Testimony
Senate Resources Committee – Tax Reform
February 18, 2013

Thank you, Madam Chair for allowing public comment on tax reform. My name is Steve Pratt, Executive Director of Consumer Energy Alaska, a regional chapter affiliated with the national Consumer Energy Alliance. We believe there are several reasons why we need to look at tax code revisions:

Business and residential consumers of energy have a direct interest in consuming competitively priced energy supplied from domestic sources, and also have a direct interest in robust overall economic activity to maintain livelihoods.

According to the Alaska Institute for Social and Economic Research, at least 30% of working Alaskans are dependent upon oil and gas exploration and development for employment.

Unfortunately, oil production has declined from a peak of over 2 million barrels a day to a little over 500 thousand barrels, and is in freefall at the rate of 5 - 7% per year. Remarkably, these declines have occurred during times of high and increasing oil prices.

Alaska is capable of making a substantially greater contribution to U.S. domestic oil production and gross domestic product than it does today.

Madam Chair, a sustainable increase of only 500,000 bbls/day from today's levels, at \$100/bbl., would add \$1.5 Billion per month to overall U.S. economic activity. It might also reduce the export of 1.5 Billion U.S. consumer dollars per month to OPEC nations.

Developing Alaska's abundant natural resources and oil production potential are vital to the energy security of the entire nation as well as the state.

However, new exploratory and development drilling is both a risky enterprise and necessary to stem the decline in Alaska oil production. Just as Alaska North Slope natural gas will need to compete globally if it is to secure export markets, Alaska needs also to compete globally for investment dollars. Your work here can enable that ability.

The rates and progressivity structure of Alaska's current tax regime provide a disincentive to attracting risk capital to the state as evidenced by declining production during times of high oil prices. Increased prices have resulted in substantial increases in oil production in other locations around the United States, but not in Alaska, and not because more oil is not available.

Increased investment through increased global competitiveness will enhance Alaska's ability to fulfill its constitutional mandate to develop natural resources for the maximum benefit of the people.

Alaska's remoteness from the markets, Arctic climate, high labor and logistical costs argue for a more competitive tax and regulatory structure.

Consumer Energy Alliance – Alaska is in favor of the Alaska State Legislature reviewing and approving revisions to the Alaska Tax Code that ~~would~~ ^{will} improve the investment climate in Alaska.

Something is terribly wrong and I thank you, Madam Chair and members of the Senate Resources Committee, for taking on the task, with the Governor, of coming up with useful changes.

~~Pickens
Armstrong
Brooks Range~~
~~Pie Growing Necessary~~
~~Co Investment Model~~

Fair
More oil
Simple
Durable