Alaska Oil and Gas Association

AOGA

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Kara Moriarty, President/CEO

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Representative Eric Feige, Co-Chairman
Representative Dan Saddler, Co-Chairman
House Resources Committee
Juneau, AK 99801

Dear Co-Chairmen Feige & Saddler;

The Alaska Oil & Gas Association (AOGA) is the professional trade association for the majority of oil and gas exploration, production, refining, marketing and transportation activities in Alaska.

AOGA does not support HB 325, nor does it support the draft Committee Substitute (Version 28-LS1486\U).

AOGA has been engaged in the policy decisions surrounding the Oil and Hazardous Substance Release Response Fund, commonly referred to as the “470 Fund”, since its inception in 1989, when a tax of five cents per barrel was added for emergency oil spill containment and cleanup.

Although the original purpose was for emergency oil spill containment and cleanup, from the very beginning, this fund has been used for a variety of purposes. For example, in the first four years of the fund, the money appropriated was for things like campgrounds, state airports, privately-owned greenhouses and buying new ferries. While those were important concerns, they were not oil spill emergencies.

In 1994, we supported the bill that split the initial surcharge into two different accounts; a “oil spill preparedness account” (at the time was two cents per barrel) and a “catastrophic oil discharge account” (at the time was three cents per barrel). AOGA did not oppose the modification to the surcharge in 2006, as the total tax remained 5 cents per barrel.

According the Alaska Department of Environmental Conservation, oil production and exploration facilities accounted for 16% of the volume of released product in FY 2013. The other type of facilities that reported spills were mining, maintenance yard/shops, vessels, air transportation, canneries and a variety of other facilities. [Source: Annual Summary of Oil & Hazardous Substance Spills, December 2013].

For the last 25 years, the oil and gas industry has been the only industry to make any contributions to this fund and this bill only seeks to continue that policy by increasing the surcharge on oil and gas producers to seven cents per barrel.

Additionally, we cannot support the attempt to add a surcharge for in-state refineries and those that import refined product into Alaska. It is already challenging at best to operate a refinery in Alaska, and this proposed surcharge would not improve the business climate for refining.

Furthermore, the proposed surcharge for refineries is inappropriate in the proposed chapter [AS 43.55]. If you want refineries to pay a surcharge, it might fit more logically in the motor fuel tax chapter [AS 43.40] versus the production tax chapter for oil and gas producers.

While the ADEC and the Division of Spill Prevention and Response have worked hard to ensure the fund is used for its designated purpose, the fact remains that majority of the volumes reported are outside the oil and gas industry.

AOGA cannot support a policy that offers only one solution by continually adding additional taxes on oil and gas producers and instituting a new tax on refineries.

Thank you for your consideration of our position.

Sincerely,

Kara Moriarty

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President/CEO