

Senate Special Committee on TAPS Throughput

SB 21: Oil & gas production tax.

January 31, 2013

Testimony by Pamela Brodie, P.O. Box 1139, Homer AK 99603



On one side, we hear that we must "fill the pipeline." On the other, we hear that cutting oil industry taxes may do nothing to increase oil production, but it will drastically damage the state's ability to educate our young people and provide necessary services, and may lead to an income tax.

In the late 1980's we had a full pipeline, and oil sold for \$10/barrel. Now it sells for around \$120/barrel. Yes, those were desperate times -- but what a catastrophic waste of Alaska's precious, limited supply of natural resources to have sold off the maximum possible amount of oil at such a low price.

Oil prices are likely to rise further in the future. We should all be able to agree that the State of Alaska's goal in managing the sale of our limited supply of fossil fuel should be to *maximize total revenue to the state over the life of the supply of that fuel*. We should be able to agree that Alaskans will need the revenue in the future, and we should not use the oil up as fast as possible.

I understand that there must be a minimum flow. I understand that there are increased maintenance costs to a low flow of oil -- but those costs may be worth it. I understand that the calculations are complicated and that the facts and numbers may be in dispute. But we are certainly not going to do the right thing for the state if our goal is to "fill the pipeline," regardless of whether it makes long term economic sense to do.

Every administration is focused on the short term. They have to be. We must depend on the Legislature to protect our interests for the long term.

If the oil companies would increase the pumping of oil in response to a tax cut like SB21, they would tell us so. It would be in their interests to tell us this. But they don't. This is a mighty good indication that they won't. Even if they do increase pumping, it might not be enough to compensate for the lost revenue to the State from cutting taxes. A billion dollars/year or more is an awful lot to compensate for. And once that oil is sold at \$120/barrel, it won't be around to sell when the price has risen to \$200/barrel or more.

It seems to me extremely unlikely that SB21 is even in the short term interests of the people of Alaska, and almost certainly not in our long term interests. *Please vote against SB 21.* Thank you.


January 30, 2013

Respectfully submitted to the Alaska State Senate regarding SB21

I would like to express my opposition to the passage of SB 21. I do not feel that money should be gambled away from the State's coffers with no promise let alone guarantees that we as a people have purchased anything. We stand to be in the RED from this give away instead of earning the taxes due us to purchase education, health care and general prosperity. If the oil companies earned over 10B here in the state last year, they are not suffering , and if they are they are mismanaged.

ACES was developed as a fair exchange for the use of the oil product we have to sell. It is irresponsible to give away our assets without having anything to show for it. If we are to purchase something, purchase it, pay for it and get it. Do NOT throw it down a bottomless pit to be received at the other end with no recompense.

It is irresponsible to take a budget for a state that has assets and put it into the RED in order to gamble it away into the breeze. Our money should be managed not gambled with.

A handwritten signature in cursive script, reading "Mary J. Toutonghi".

Mary J. Toutonghi,

Soldotna, AK.

----- Original Message -----

**Subject:**SB 21

**Date:**Wed, 30 Jan 2013 11:20:13 -0900

**From:**Margo Waring <margowaring@ak.net>

**To:**Senator.Peter.Micciche@akleg.org

Dear Senator,

Please do not support Governor Parnell's Oil Tax bill, SB 21.

I was schooled on this issue when working for Governor Hammond when it was clear that maximizing resources' benefit to Alaskans was more important than oil companies' profits. I also worked for the legislature when the state income tax was repealed. The state's return on oil and the state income tax are historically connected. I believe that SB 21 will have the effect of returning the state income tax as a way to boost revenues lost to oil companies' pockets.

Revenues will fall under SB 21 because it eliminates progressivity. This will deprive Alaskans of a fair share of oil revenues, especially when prices rise, as every forecast predicts. For example, in FY'14, this change alone would cost Alaskans \$1.6 billion at \$110/barrel oil as forecast, \$2.4 billion at \$120/barrel oil, and \$4.1 billion at \$140/barrel oil.

Revenues will fall under SB 21 because of the 20% gross revenue exclusion on new oil, creating exceptionally and historically low rates, especially on legacy fields. Under SB 21 the production tax rate for "new" oil would be about 17-18%, slashed from about 40% today. Additionally, the gross revenue exclusion applies to projects in Prudhoe and Kuparuk where infrastructure was paid for long ago and profits are historically high.

Revenues to the state will fall under SB 21 because it removes the 20% capital credit incentive to investment in Alaska and discourages smaller producers/investors who might boost production.

In summary, SB 21 would so significantly reduce revenues that the state will be hard pressed to fill the gap, setting the stage for the return of the income tax and other revenue measures to support state services.

Sincerely,  
Margo Waring  
11380 N. Douglas Hwy.  
Juneau, AK. 99801

## **Lynne Smith**

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**From:** D. Robbins <d Robbins.r@gmail.com>  
**Sent:** Wednesday, January 30, 2013 1:03 AM  
**To:** Sen. Mike Dunleavy; Sen. Peter Micciche; Sen. Anna Fairclough; Sen. Lesil McGuire; Sen. Berta Gardner  
**Subject:** RE: SB 21 Oil and Gas Production Tax Cuts

Senators,

RE: SB 21 Oil and Gas Production Tax Cuts

It goes without saying that I know very little about the oil industry. What I do recognize is that SB21 appears to reduce any responsibilities for the oil industry to pay their share of expenses for a product owned by the people of Alaska. We give back to them and expect nothing in return; or at least any expectations that we might have of them are not stated in SB21. That is not sound business sense.

We "repeal this" and we "repeal that" and what do we ask in return? Not a word is mentioned that I can find about "if we do this, then you agree to give us that." We would be seen as fools to make such a deal.

Expectations of what Alaska might stand to benefit from the policy changes outlined in the bill are never mentioned. "We give you this and that, or "forgive this and that tax," and we have no reciprocal expectations.

If I was a grocer and I opened my shop doors for customers but had no one manning the cash register, or prices were unmarked on items I would be out of business in a few days. In Alaska's case, our coffers would soon be bare and our people would be out in the cold.

We are not taking care of our needs now. We continue to flat fund education as the inflation rate rises, resulting in a net cut for education dollars. Our standing in education funding and achievement is not acceptable, but apparently the governor can't seem to figure out that reduced funding, or reduced "take" in oil jargon, has any bearing in that area. He has a heart for multinational oil companies but not for Alaska's children.

There has to be a more sound way for Alaska to do business.

Sincerely,

Doris Robbins

1281 Overhill Dr.  
Fairbanks, AK 99709-6753  
(907) 374-0597  
[drobbins@gci.net](mailto:d Robbins.r@gmail.com)

**Lynne Smith**

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**To:** LIO Kenai  
**Subject:** RE: Opposition to SB 21

**From:** Michele Vasquez [<mailto:michele.s.simmons@gmail.com>]  
**Sent:** Tuesday, January 29, 2013 6:41 PM  
**To:** LIO Kenai  
**Subject:** re: Opposition to SB 21

Hello:

I am unable to attend to public testimony on SB 21, but I want to submit my statement of opposition for the record.

I strongly oppose the governor's bill, SB 21, that would give more tax cuts to oil companies that currently drill or want to drill for oil in Alaska. There is no reason to offer an "incentive" to a company to drill Alaska's oil unless there is an expectation of gain by one or more of our elected officials in terms of political support. We Alaskans don't need to give away our precious oil resource by offering hefty tax cuts to greedy oil companies that make billions in profit and pose such a high risk to the environment in our state. The oil is here; if a company wants to drill it, fine; but it must do so under ACES. Where is the guarantee of an increase in production for such lavish tax cuts? There is no such guarantee. Reject and oppose this outrageous giveaway to oil companies by voting against SB 21.

Sincerely,  
Michele Vasquez  
Soldotna, AK  
907-420-0658



# STATE of ALASKA

*Bethel Legislative Information Office*

PO Box 886  
Bethel, Alaska 99559  
(907) 543-3541  
Fax- 543-3542

## Written Testimony for the Record:

TCN: 7887

Committee: STTP

Date: 1/31/2013

Bill Number(s): SB 21

Subject(s): Oil Tax

**Please enter my testimony into the record.**

Fritz Grenfell

Testifier's name (s):

Representing (opt.)

P.O. Box 1427, Bethel, AK 99559  
Address

465-4779  
Phone

**LIO Bethel**

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**From:** Fritz Grenfell <fritzgrenfell@yahoo.com>  
**Sent:** Thursday, January 31, 2013 10:13 AM  
**To:** LIO Bethel  
**Subject:** tele conf

i feel the oil companies are holding us hostage, lower taxes more oil in pipe why don' we build a refinery in fbks take our % off and get on with bussiness, fuel is holding us back fritz grenfell pob 1427 bethel ak

## **Lynne Smith**

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**From:** Deanna Geary <truckin\_mama@hotmail.com>  
**Sent:** Thursday, January 31, 2013 7:42 PM  
**To:** Lynne Smith  
**Subject:** HB 72/SB 21

I would like to go on record as a resident of the State of Alaska in regard to HB72/SB21.

I see no evidence that makes a correlation between the slow down in getting oil to market and the tax rate that the oil companies now enjoy here in Alaska. In fact, the amount of profits that are reported by the oil companies operating in Alaska prove that they can, and do enjoy the benefit of our oil. We afford them a safe and secure environment in which to conduct business, that should count as a bonus.

I am against lowering the S.O.A.'s tax rate for oil companies.

Thank You, Deanna Geary



# KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai.Lio@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

## WRITTEN TESTIMONY

NAME:

Kate Veh, Soldotna, Alaska

REPRESENTING:

Citizen representing myself

BILL # or SUBJECT:

SB 21 (Oil & Gas Production Tax)

COMMITTEE & DATE:

First of all, I want to tell you how much I appreciate you hearing my comments about the governor's oil tax proposal. I know it's not easy to be in your shoes right now, so thank you for hearing me out.

With all due respect, the governor's oil tax proposal is starting to feel like that movie, "Groundhog Day." Every day, Phil wakes up to Sonny & Cher's "I Got You, Babe", then he meets Dippy Ned & steps into a puddle. Despite his fruitless attempts to escape Groundhog Day, he keeps waking up to find that nothing has changed -- he's trapped in a time loop.

Let me be clear - As an Alaskan, I do not support the governor's proposal. I am trying to get out of this time loop -- the same idea over & over & over & over & over again without any fresh ideas. The same question keeps popping up over & over & over & over & over again: How is the State of Alaska going to make up for the revenue that would be lost if this proposal goes through?

This is a question that needs to be answered.

# KENAI LEGISLATIVE INFORMATION OFFICE

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Email: Kenai.Lio@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

## WRITTEN TESTIMONY

NAME:

Kate Veh, Soldotna, Alaska

REPRESENTING:

Citizen representing myself

BILL # or SUBJECT:

SB 21 (oil + gas production tax)

COMMITTEE & DATE:

I+ seems like if you were going to give away this much money, you would ask for something in return. Perhaps companies who enjoy such a generous tax break would guarantee in writing that they would hire people who actually live in Alaska year-round. Perhaps they would agree to reduce highly paid top CEO's salaries so that their own Alaskan employees would earn higher wages, thereby allowing more money to filter into our states home-based economy. Perhaps the industry would pledge to create renewable energy jobs in Alaska. Perhaps companies would express gratitude that Alaska is a peaceful + safe place to do business (rather than being a dangerous, war-torn nation).

In any case, you need to re-think this plan. As an Alaskan, I vote no on it. We already have a great plan called Alaska's Clear + Equitable Share. That says it all! The oil + resources belong to us, the People.

So, the question is, "Is it morning in America yet?"

# KENAI LEGISLATIVE INFORMATION OFFICE

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Email: Kenai.Lio@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

## WRITTEN TESTIMONY

NAME:

Kate Veh, Soldotna, Alaska

REPRESENTING:

Citizen representing myself

BILL # or SUBJECT:

SB 21 (oil + gas production tax)

COMMITTEE & DATE:

No. It's Groundhog Day. Maybe the real question should be, "How long are we going to be stuck here in Groundhog Day, re-living the same experience over + over + over + over + over + over again?"

In the movie, when Phil figured out how to stop stealing money, seducing women, driving recklessly, + getting thrown into jail. When he uses the time to learn how to ice sculpt, play the piano, speak French, save lives, help townspeople, + become a better human being, then + only then was the time loop broken.

You are in very respected positions of government. Please vote no on this oil tax proposal. Go back. Take the time to re-think. What's best for the People of Alaska? If you think keeping ACES is the best, great! I completely agree that it is best to keep ACES. If, after putting some thought into the matter, you come up with another plan, please re-present your proposal. I promise to look at it, listen, think about it, + assess what is best for our state.

# KENAI LEGISLATIVE INFORMATION OFFICE

(4)

Email: Kenai.Lio@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

## WRITTEN TESTIMONY

NAME:

Kate Vea, Soldotna, Alaska

REPRESENTING:

Citizen representing myself

BILL # or SUBJECT:

SB 21 (oil + gas production tax)

COMMITTEE & DATE:

Then, as an Alaskan, I will say yes or no.  
This is how democracy works.

Again, please vote no on SB 21 + have  
a happy Groundhog Day!!!

**Lynne Smith**

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**From:** Kevin Walker <homerkev@gmail.com>  
**Sent:** Saturday, February 02, 2013 9:50 AM  
**To:** Larry Semmens; Rep. Paul Seaton; Sen. Peter Micciche  
**Subject:** Written Testimony for TTP SB21 Hearing and HB 72

Alaska must strive to research and develop energy sources to guarantee our energy security for all future generations. Fossil fuels will eventually be depleted, so the Legislature must develop our very abundant renewable resources such as geothermal, tides, wind, hydro, solar, and other renewable sources.

I have not seen any information that would lead me to support SB21. From what I hear and do see, it will cost the state \$20 BILLION (\$20,000,000,000). That money would probably set us up with alternative energy sources that would be fueled forever. The oil and gas will run out, and leave our kids and grandkids struggling with few developed alternatives. I can't think of any industry in the world that needs government subsidies less than Oil and Gas. Exxon made what, \$44 Billion in profits last year? Do you really think they need more money?

I also understand that these bills will cut taxes on oil companies when oil prices are high, and give away \$2 billion per year when oil costs \$120/barrel and will create a state budget deficit this year.

To develop sustainable energy in Alaska, I strongly support directing State funds towards the development of alternative power projects such as those begun by HEA and ORPC.

<http://alaskarenewableenergy.org/wp-content/uploads/2009/11/ORPC-PowerPoint-Nov-14th-Forum.pdf>

Please send me information, or direct me to find some common sense that is written for a layman that may show why the Governor would introduce these bills.

Kevin Walker  
Homer, Alaska

## The Testimony of Jerry McCutcheon

A lifelong Alaskan who fought for Statehood against the Canned Salmon Industry sixty and seventy years ago.

It appears that North Slope Employment will set yet another new record this winter since the construction of TAPS. The growing North Slope employment numbers belie Parnell's allegations about ACES hindering development. ACES with ACES's generous oil tax credits for actual investment is promoting oil and gas development. Development like Alaska has not had since the discovery of Prudhoe Bay.

I don't think those who worked for and passed ACES realize what a marvelous piece work they did for Alaska and Alaska's future when they passed ACES with ACES's very generous oil tax credits for actual investment .

We are Now in the Second Battle for Statehood. Will have Alaskans thrown off the yoke of the Canned Salmon Industry only to take up the yoke of the oil industry?

What is hindering development on the North Slope is the fact that Parnell is trying to take away the oil tax credits for actual investment. One cannot invest and have the Governor out trying to take away the very tax credits on which one is to rely. Several of the small oil companies have said so in the press about the Chenault / Hawker's gasline affects on trying to explore for gas in Cook Inlet.

Bringing gas to Cook Inlet from the North Slope when Cook Inlet has 1.8 trillion cubic feet of proven available gas is just not stupid it is insane. Also there are between 13 and 27 tcf of gas yet to be discovered in the Cook Inlet Basin. DOE, USGS, DNR and others.

ACES should be allowed to run its course for at least a decade without modification unless there is something is glaringly wrong. The only provisions that are needed are further leveling of the playing field for the small oil companies along the lines of Rep. Gara's bill last year, equal access to or new production facilities, TAPS and the Valdez terminal.

Parnell and the republicans are attaching ACES because ACES provides for oil tax credits for the small wildcatter to explore for oil where no one else will go. Parnell wants to change ACES so only those that have production (like the majors) receive the oil tax credits. That eliminates the rank wildcatter and that is very much not in Alaska's best interest. With operation of the law of large numbers and the time value of money Alaska comes out way ahead to gamble with the wildcatter.

Second, a small reservoir may not be worthy of a standalone development, however ACES's oil tax credits allow the developer to capture some multiple of the developer's investment much sooner and progressivity rewards the State for having taken the risk.

Progressivity not only makes those gambles possible but also leads full exploration and production of the oil province. That is one the reasons the majors not only suggested progressivity but also demanded progressivity and oil tax credits during the Governor Murkowski Administration . Never did the majors wildest dreams think that it would be small oil companies that would capitalize oil tax credits.

The legislature needs to understand that the majors are Elephant hunters and all of the Elephant structures on the Slope were drill decades ago. Elephant hunters do not hunt rabbits; they may take a rabbit if the rabbit is in their backyard.

Alaska not only needs to take bigger share of the risk but also needs start partnering in oil development like Statoil. The Harvard School of Business, business model would very much applaud ACES and taking the risks with the wildcatter. And the Harvard School of Business, business model would strongly suggest that Alaska follow Statoil's lead.

Under Alaska's laws and Constitution there is a duty to produce and it is under those provisions the Governor Murkowski took back Point Thomson. There is 1.8 trillion cubic feet of proven (DNR) available gas in Cook Inlet that is being held off the market to drive up the price of gas.



## Theresa Robl

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**From:** Ronald Johnson <rajohnson@alaska.edu>  
**Sent:** Saturday, February 02, 2013 9:27 PM  
**To:** Sen. Mike Dunleavy; Sen. Peter Micciche; Sen. Anna Fairclough; Sen. Lesil McGuire; Sen. Berta Gardner  
**Cc:** Rep. Scott Kawasaki; Rep. Tammie Wilson; Sen. Pete Kelly; Sen. Bill Wielechowski; Gary Miller; drobbins r; Timothy Tilsworth; Jay Dulany; Sam Trivette; Cindy Spanyers; Bob Grove  
**Subject:** SB 21

Three Thoughts re SB 21

- 1) Pls do a better job of publicizing the off net phone in numbers for public testimony.
- 2) **Vote no on SB 21.** If you want to change ACES, do it in such a way that industry only gets additional tax breaks after the big players succeed in reducing the rate of decline for the legacy fields. Vague statements ahead of time don't cut it.
- 3) **Senator Micciche. Recuse yourself** from chairing this committee and voting on legislation that can result in billions of dollars in tax relief to your employer. If what you are doing now is not conflict of interest, I don't know what is.

Pls add this to the public testimony

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Ron Johnson  
Professor Emeritus  
Mechanical and Environmental Engineering  
Univ of Alaska Fairbanks

2113 Jack St  
Fairbanks, AK 99709