

Senate Finance Responses to Follow Up Questions from January 18, 2024 Revenue Forecast Presentation

Department of Revenue

2/2/2024



1. Provide an analysis showing revenue sensitivity to oil prices over the next several years

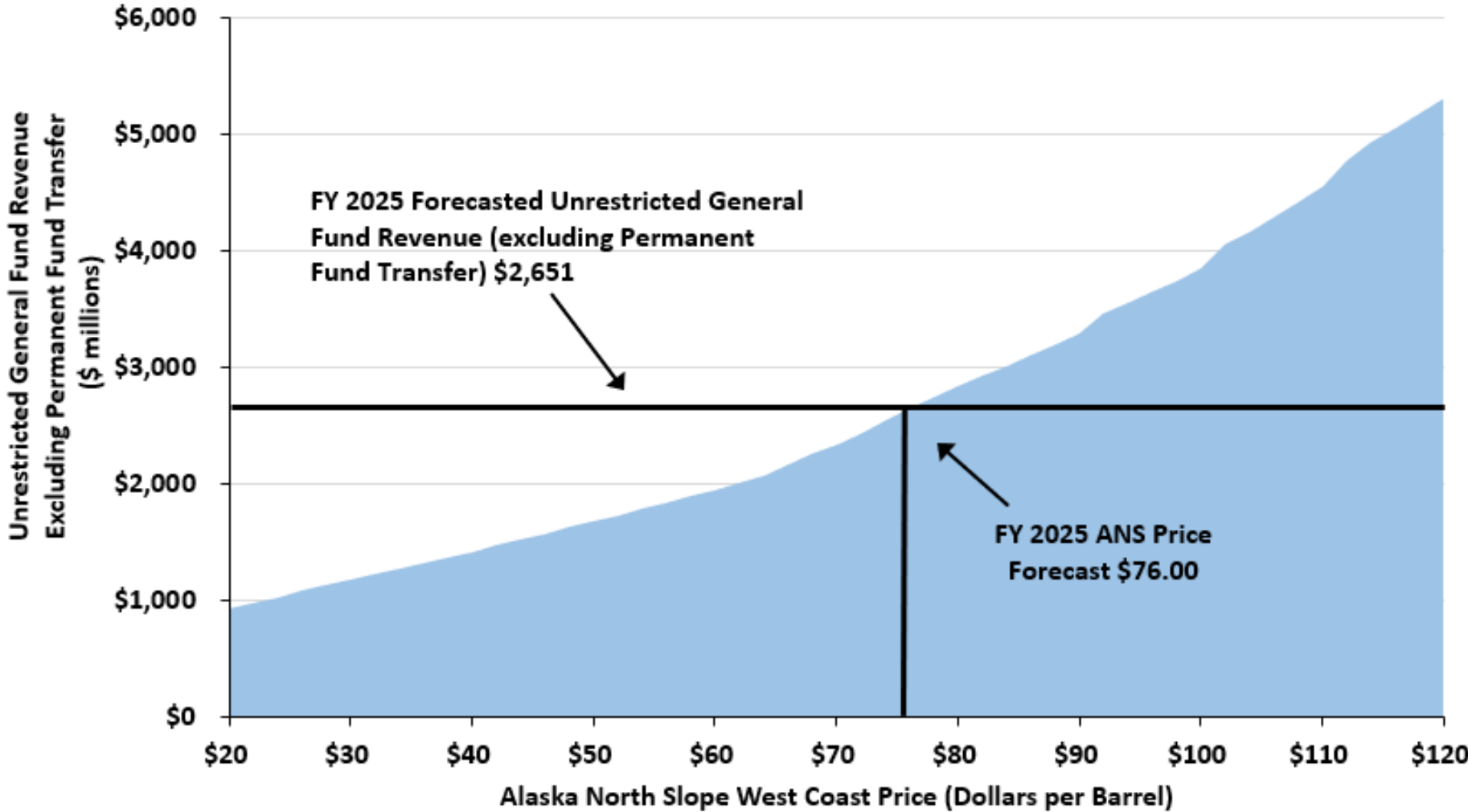


Estimated Unrestricted Revenue at Various Oil Prices

Unrestricted General Fund Revenue (excludes POMV Transfer)										
Price	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Official Forecast	\$ 2,651	\$ 2,542	\$ 2,586	\$ 2,659	\$ 2,609	\$ 2,548	\$ 2,548	\$ 2,687	\$ 2,810	\$ 2,882
\$ 20	\$ 928	\$ 966	\$ 986	\$ 1,013	\$ 1,040	\$ 1,062	\$ 1,059	\$ 1,063	\$ 1,076	\$ 1,081
\$ 25	\$ 1,041	\$ 1,081	\$ 1,108	\$ 1,145	\$ 1,171	\$ 1,192	\$ 1,191	\$ 1,179	\$ 1,187	\$ 1,186
\$ 30	\$ 1,183	\$ 1,216	\$ 1,246	\$ 1,286	\$ 1,321	\$ 1,336	\$ 1,330	\$ 1,324	\$ 1,333	\$ 1,326
\$ 35	\$ 1,305	\$ 1,344	\$ 1,373	\$ 1,420	\$ 1,453	\$ 1,469	\$ 1,453	\$ 1,457	\$ 1,468	\$ 1,459
\$ 40	\$ 1,424	\$ 1,465	\$ 1,511	\$ 1,566	\$ 1,598	\$ 1,612	\$ 1,589	\$ 1,587	\$ 1,602	\$ 1,591
\$ 45	\$ 1,551	\$ 1,597	\$ 1,649	\$ 1,710	\$ 1,741	\$ 1,754	\$ 1,736	\$ 1,724	\$ 1,768	\$ 1,727
\$ 50	\$ 1,681	\$ 1,728	\$ 1,788	\$ 1,856	\$ 1,886	\$ 1,898	\$ 1,882	\$ 1,882	\$ 1,936	\$ 1,896
\$ 55	\$ 1,819	\$ 1,862	\$ 1,931	\$ 2,004	\$ 2,032	\$ 2,044	\$ 2,066	\$ 2,142	\$ 2,208	\$ 2,154
\$ 60	\$ 1,952	\$ 1,989	\$ 2,071	\$ 2,161	\$ 2,185	\$ 2,190	\$ 2,270	\$ 2,315	\$ 2,399	\$ 2,387
\$ 65	\$ 2,119	\$ 2,143	\$ 2,244	\$ 2,392	\$ 2,407	\$ 2,407	\$ 2,442	\$ 2,474	\$ 2,563	\$ 2,549
\$ 70	\$ 2,347	\$ 2,374	\$ 2,484	\$ 2,655	\$ 2,671	\$ 2,706	\$ 2,705	\$ 2,741	\$ 2,810	\$ 2,783
\$ 75	\$ 2,599	\$ 2,634	\$ 2,783	\$ 2,960	\$ 2,963	\$ 2,956	\$ 2,970	\$ 3,026	\$ 3,069	\$ 3,037
\$ 80	\$ 2,834	\$ 2,877	\$ 3,026	\$ 3,205	\$ 3,212	\$ 3,201	\$ 3,217	\$ 3,307	\$ 3,384	\$ 3,381
\$ 85	\$ 3,065	\$ 3,110	\$ 3,269	\$ 3,459	\$ 3,463	\$ 3,449	\$ 3,468	\$ 3,663	\$ 3,746	\$ 3,746
\$ 90	\$ 3,294	\$ 3,345	\$ 3,511	\$ 3,722	\$ 3,716	\$ 3,701	\$ 3,800	\$ 4,023	\$ 4,108	\$ 4,114
\$ 95	\$ 3,606	\$ 3,664	\$ 3,832	\$ 4,055	\$ 4,041	\$ 4,051	\$ 4,272	\$ 4,509	\$ 4,596	\$ 4,635
\$ 100	\$ 3,850	\$ 3,910	\$ 4,078	\$ 4,309	\$ 4,295	\$ 4,379	\$ 4,609	\$ 4,865	\$ 4,958	\$ 5,003
\$ 105	\$ 4,239	\$ 4,233	\$ 4,443	\$ 4,729	\$ 4,758	\$ 4,839	\$ 5,080	\$ 5,351	\$ 5,446	\$ 5,704
\$ 110	\$ 4,555	\$ 4,553	\$ 4,775	\$ 5,061	\$ 5,084	\$ 5,164	\$ 5,418	\$ 5,707	\$ 5,810	\$ 6,223
\$ 115	\$ 5,000	\$ 5,007	\$ 5,246	\$ 5,540	\$ 5,555	\$ 5,627	\$ 5,889	\$ 6,193	\$ 6,463	\$ 6,832
\$ 120	\$ 5,317	\$ 5,327	\$ 5,578	\$ 5,873	\$ 5,882	\$ 5,957	\$ 6,235	\$ 6,551	\$ 6,954	\$ 7,236
\$ 125	\$ 5,762	\$ 5,781	\$ 6,048	\$ 6,351	\$ 6,353	\$ 6,436	\$ 6,713	\$ 7,133	\$ 7,539	\$ 7,829
\$ 130	\$ 6,080	\$ 6,101	\$ 6,380	\$ 6,684	\$ 6,679	\$ 6,775	\$ 7,062	\$ 7,604	\$ 7,943	\$ 8,246
\$ 135	\$ 6,524	\$ 6,554	\$ 6,851	\$ 7,163	\$ 7,150	\$ 7,245	\$ 7,540	\$ 8,234	\$ 8,482	\$ 8,843
\$ 140	\$ 6,841	\$ 6,875	\$ 7,185	\$ 7,495	\$ 7,477	\$ 7,581	\$ 7,891	\$ 8,704	\$ 8,885	\$ 9,260
\$ 145	\$ 7,286	\$ 7,328	\$ 7,661	\$ 7,974	\$ 7,948	\$ 8,052	\$ 8,393	\$ 9,310	\$ 9,425	\$ 9,858
\$ 150	\$ 7,603	\$ 7,649	\$ 7,996	\$ 8,308	\$ 8,276	\$ 8,389	\$ 8,817	\$ 9,708	\$ 9,829	\$ 10,275



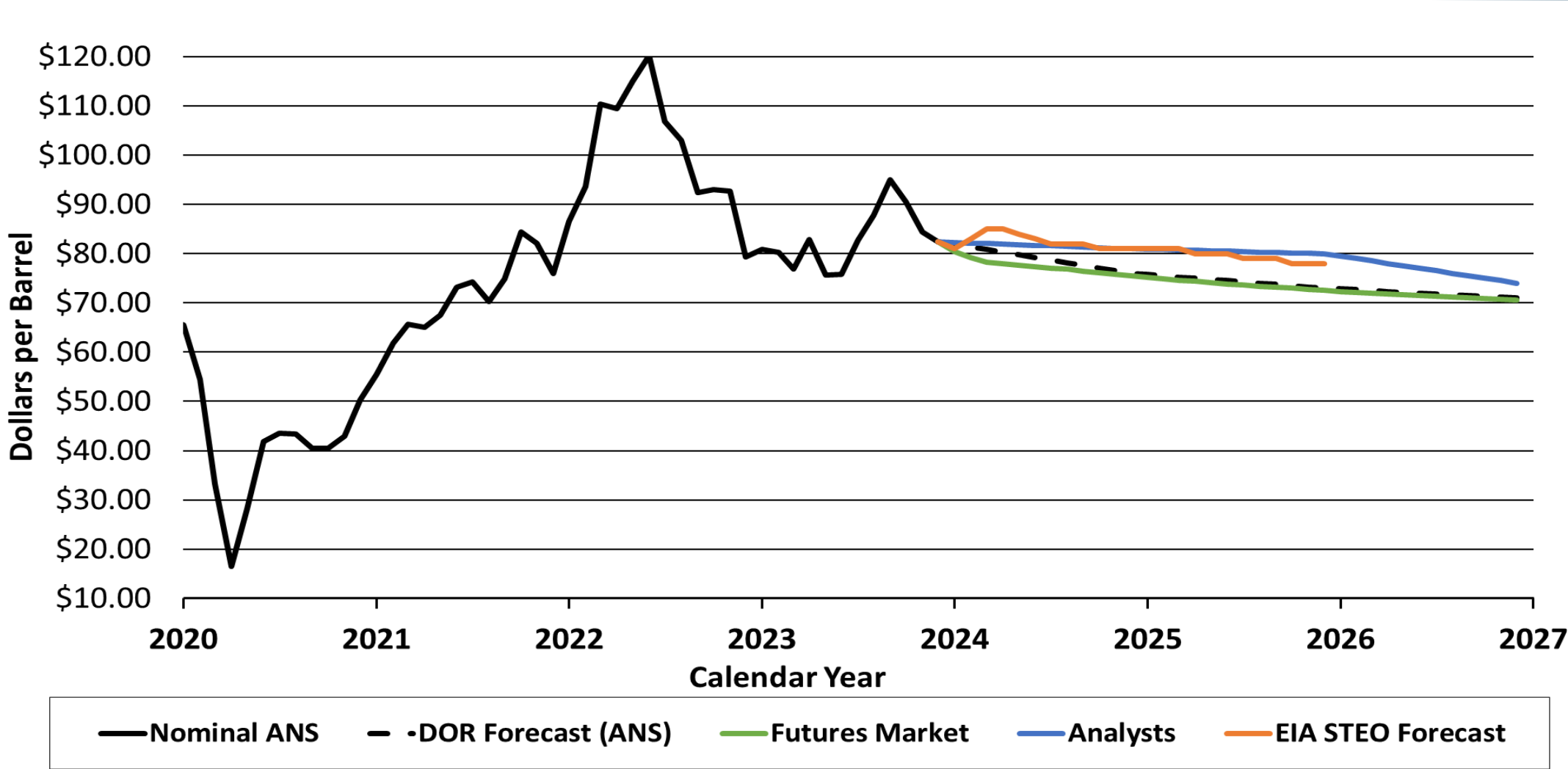
Petroleum Detail: UGF Relative to Price per Barrel (without POMV): FY 2025



Note: Assumes official forecasted North Slope production of 470,300 barrels per day. Above the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$65-70 million change in UGF revenue. Below the forecasted ANS price, a \$1 increase or decrease in price leads to an approximately \$50 million change in UGF revenue.

2. Provide an updated version of slide 18 that contains correct dates

Petroleum Detail: Nominal Brent Forecasts Comparison as of January 17, 2024



Source: Analyst forecast is the median forecast of 10-38 firms from a Bloomberg survey as of January 17, 2024. Futures prices are from the Chicago Mercantile Exchange (CME) as of January 17, 2024. The U.S. Energy Information Administration (EIA) forecast is from their January 2024 Short-Term Energy Outlook (released January 9, 2024). Chart shows monthly average prices.



3. Provide a list of allowable capital expenditure deductions for purposes of the oil and gas production tax

Allowable Capital Expenditures

- Alaska's oil and gas production tax for North Slope oil is based on a tax on production tax value (similar to net profits) with a minimum tax floor.
- All allowable expenditures may be deducted in calculating PTV in the year incurred. Excess lease expenditures may be carried forward.
 - In general, any direct costs of oil and gas exploration and production
 - Statutes specify exemptions/ exclusions - AS 43.55.165(e).
 - Regulations further define allowable - 15 AAC 55.250 and 15 AAC 55.260.
- **Capital expenditures:** represent investments into long term tangible assets
 - In general, Alaska follows IRS guidelines in determining what is considered a capital expenditure.
 - Examples: building facilities, buying equipment with an expected life over one year, geological or geophysical exploration, and some drilling costs.
- **Operating expenditures:** any allowable lease expenditures other than capital expenditures.



4. How much of the decline between the Spring 2023 and Fall 2023 production forecasts for FY 2024 and FY 2025 was attributable to Prudhoe Bay?

Comparison of Forecast Production

Alaska North Slope Oil Production Forecasts, by Area - Thousands of Barrels Per Day

	<i>Spring 2023 Forecast</i>		<i>Fall 2023 Forecast</i>		<i>Difference</i>		Group
	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	
Prudhoe Bay	203.8	205.0	190.4	191.8	(13.4)	(13.2)	Central
PBU Satellites	81.9	79.1	82.4	87.1	0.5	8.0	Central
GPMA	27.5	26.3	28.4	27.6	0.9	1.3	Central
Kuparuk	53.8	51.7	51.4	45.7	(2.4)	(6.0)	Kuparuk
Kuparuk Satellites	22.9	22.7	28.2	30.0	5.2	7.3	Kuparuk
Endicott	7.2	6.8	9.5	10.8	2.4	4.0	Endicott / Offshore
Alpine	28.6	25.2	32.3	30.7	3.7	5.5	West
Offshore	28.4	27.5	27.6	25.6	(0.8)	(1.9)	Endicott / Offshore
NPRA	34.1	45.4	17.0	11.6	(17.1)	(33.8)	West
Point Thomson	8.1	8.0	3.0	2.8	(5.1)	(5.2)	Point Thomson
Other	0.0	0.2	0.0	0.0	0.0	(0.2)	Other
Total Alaska North Slope	496.4	497.9	470.3	463.8	(26.1)	(34.2)	



Comparison of Forecast Production

Alaska Oil Production Forecasts, by Area Group - Thousands of Barrels Per Day

Group	Spring 2023 Forecast		Fall 2023 Forecast		Difference		Units
	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	
Central	313.2	310.4	301.3	306.6	(11.9)	(3.8)	Milne Point, Prudhoe Bay
Kuparuk	76.7	74.5	79.5	75.8	2.8	1.3	Kuparuk River
Endicott / Offshore	35.6	34.3	37.1	36.3	1.6	2.1	Badami, Duck Island, Nikaitchuq, Northstar, Oooguruk
West	62.7	70.6	49.4	42.3	(13.3)	(28.3)	Bear Tooth (Willow), Colville River (Alpine), Greater Mooses Tooth, Southern Miluveach (Mustang)
Point Thomson	8.1	8.0	3.0	2.8	(5.1)	(5.2)	Point Thomson
Other	0.0	0.2	0.0	0.0	0.0	(0.2)	Alkaid, Horseshoe, Pikka, Quokka, Talitha, Toolik River (Theta West)
Total Alaska North Slope	496.4	497.9	470.3	463.8	(26.1)	(34.2)	



5. How much did the State of Alaska pay out for state purchase of tax credits over the life of the program?



Total Oil and Gas Credits Purchased

Credits Purchased by the State of Alaska - \$MM

North Slope	
Qualified capital expenditure, AS 43.55.023(a); Carry-forward annual loss, AS 43.55.023(b)	\$ 2,359
Credits under AS 43.55.025	\$ 176
<i>Total North Slope</i>	<i>\$ 2,536</i>
Non-North Slope	
Qualified capital expenditure, AS 43.55.023(a); Carry-forward annual loss, AS 43.55.023(b); Well lease expenditure, AS 43.55.023(l)	\$ 1,386
Credits under AS 43.55.025	\$ 66
Credits under AS 43.20	\$ 71
<i>Total Non-North Slope</i>	<i>\$ 1,524</i>
<i>Total Credits Purchased by the State</i>	<i>\$ 4,059</i>



6. Provide and estimated North Slope production eligible for Gross Value Reduction (GVR) and non-GVR production for each year in the 10-year forecast.

Further, provide a breakout of that production by landowner and the associated state royalty revenue

ANS GVR and Non-GVR Production by Land Ownership

Alaska North Slope GVR & Non-GVR Production by Land Ownership - Thousands of Barrels Per Day

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Non-GVR Production										
State Land	430.5	428.6	431.3	448.8	456.6	449.9	435.3	421.3	408.7	440.7
Federal Land	1.9	1.7	11.7	11.6	8.5	6.4	5.2	4.3	3.6	3.2
Private Land	13.3	12.7	19.0	17.6	15.1	13.9	13.0	12.5	12.9	22.3
<i>Total</i>	<i>445.6</i>	<i>443.1</i>	<i>462.0</i>	<i>478.0</i>	<i>480.2</i>	<i>470.2</i>	<i>453.6</i>	<i>438.1</i>	<i>425.3</i>	<i>466.2</i>
GVR Production										
State Land	6.5	8.0	10.8	32.8	58.4	64.0	65.9	64.3	69.1	35.8
Federal Land	10.1	6.8	0.0	0.0	0.0	1.0	16.3	58.3	103.4	126.4
Private Land	8.1	5.9	0.4	5.7	10.1	10.9	11.0	10.4	10.9	4.6
<i>Total</i>	<i>24.8</i>	<i>20.7</i>	<i>11.2</i>	<i>38.5</i>	<i>68.6</i>	<i>75.9</i>	<i>93.2</i>	<i>133.1</i>	<i>183.4</i>	<i>166.8</i>
Total Production	470.3	463.8	473.1	516.5	548.8	546.1	546.8	571.2	608.7	633.0



ANS GVR and Non-GVR Royalty Revenue by Land Ownership

Alaska North Slope State Royalty or Private Landowner Royalty Tax Revenue from GVR & Non-GVR Production by Land Ownership - \$ million										
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Royalty State Revenue from Non-GVR Production										
State Land (Royalty)	\$ 1,410.9	\$ 1,256.2	\$ 1,204.3	\$ 1,209.7	\$ 1,192.1	\$ 1,163.0	\$ 1,110.8	\$ 1,072.1	\$ 1,080.8	\$ 1,231.8
Federal Land (Shared Royalty)	\$ 3.0	\$ 1.7	\$ 20.9	\$ 20.2	\$ 14.2	\$ 10.4	\$ 8.1	\$ 6.7	\$ 5.9	\$ 5.3
Private Land (Tax) ¹	\$ 2.2	\$ 1.8	\$ 2.8	\$ 2.5	\$ 2.1	\$ 1.8	\$ 1.6	\$ 1.5	\$ 1.6	\$ 3.1
Total	\$ 1,416.1	\$ 1,259.7	\$ 1,228.1	\$ 1,232.4	\$ 1,208.3	\$ 1,175.2	\$ 1,120.6	\$ 1,080.3	\$ 1,088.3	\$ 1,240.2
Royalty State Revenue from GVR Production										
State Land (Royalty)	\$ 24.5	\$ 27.8	\$ 36.0	\$ 120.5	\$ 208.8	\$ 226.0	\$ 228.6	\$ 220.9	\$ 244.8	\$ 126.2
Federal Land (Shared Royalty)	\$ 22.6	\$ 13.6	\$ -	\$ -	\$ -	\$ 1.8	\$ 27.9	\$ 100.1	\$ 184.5	\$ 229.8
Private Land (Tax) ¹	\$ 1.6	\$ 1.0	\$ 0.1	\$ 1.1	\$ 1.8	\$ 1.9	\$ 1.9	\$ 1.8	\$ 2.0	\$ 0.8
Total	\$ 48.7	\$ 42.4	\$ 36.1	\$ 121.5	\$ 210.6	\$ 229.7	\$ 258.4	\$ 322.8	\$ 431.3	\$ 356.9
Total State Royalty Revenue	\$ 1,464.9	\$ 1,302.1	\$ 1,264.1	\$ 1,354.0	\$ 1,418.9	\$ 1,404.9	\$ 1,379.0	\$ 1,403.1	\$ 1,519.5	\$ 1,597.1

¹ The state does not collect royalty revenue from private land; however, the state does levy a tax in the amount of 5% of the private landowner royalty interest for oil, which is shown here.



THANK YOU

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