



SB 112: Oil & Gas Production Tax

By the Senate Rules
Committee

Where we currently are:

Current Law: The State of Alaska's major North Slope production fields receive a credit per-barrel of taxable oil. The amount of that credit is based on the sliding scale of average gross wellhead value.

\$8/barrel at less than \$80;

\$7/barrel at \$80 to less than \$90;

\$6/barrel at \$90 to less than \$100;

\$5/barrel at \$100 to less than \$110;

\$4/barrel at \$110 to less than \$120;

\$3/barrel at \$120 to less than \$130;

\$2/barrel at \$130 to less than \$140;

\$1/barrel at \$140 to less than \$150;

\$0/barrel at \$150

Where did Per-Barrel Credits come from?

- SB 21, from 2013, the “More Alaska Production Act” (MAPA), was introduced with no per-barrel credits.
- A flat \$5 per-barrel credit was added by the Senate before passing the body. This version of SB 21 was supported not only by the Senate, but the Governor and Industry as well.
- The House made the flat \$5 per-barrel credit apply to new fields. The House then added a sliding scale per-barrel credit that went \$8 to \$1 for oil prices \$80 and below, up to \$150 and below.

There was little time to consider these changes

- SB 21 was sent back from the House with these new per-barrel credits the day before adjournment.
- The Senate on the last day of session voted to concur with the changes made by the House.
- The new per-barrel credits were modeled on a forecast average Alaska North Slope (\$ANS) price of \$106.2, the real average price over the same period was \$61.1.

The House CS for SB 21 modeling

- Modeling done for HFIN's version of SB 21 assumed scenarios where \$ANS was above \$90.
- Since 2013 \$ANS has only been greater than \$80 for 25% of months.
- \$ANS never was above \$80 from October 2014 to January 2022.
- SB 21 was modeled in HFIN on forecasts from 2013 to 2022 of \$ANS at \$106.2.

Historical Production Tax Credits and Forecast FY 2015 – FY 2034

Millions of Dollars

Fiscal Year	History									
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 ¹
North Slope										
⁹ 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)	0	*	*	*	*	*	*	*	*	*
¹⁰ Transitional Investment Credit: AS 43.55.023(i)	0	0	0	0	0	0	0	0	0	0
¹¹ Per taxable barrel credit, AS 43.55.024(i)-(j)	524	82	531	994	1,030	607	746	920	1,018	921
¹² Small producer credit, AS 43.55.024(a)(c)	*	*	*	*	*	*	*	*	*	*
¹³ Credits under AS 43.55.025 ²	*	*	*	*	*	*	*	*	*	*
¹⁴ Total North Slope	573	116	565	1,027	1,054	615	802	1,033	1,113	946

Since 2014 Alaska has lost \$8.6 billion to per-barrel credits

Source: 2024 Fall Revenue Sources Book

Historical Production Tax Credits and Forecast FY 2015 – FY 2034 (continued)

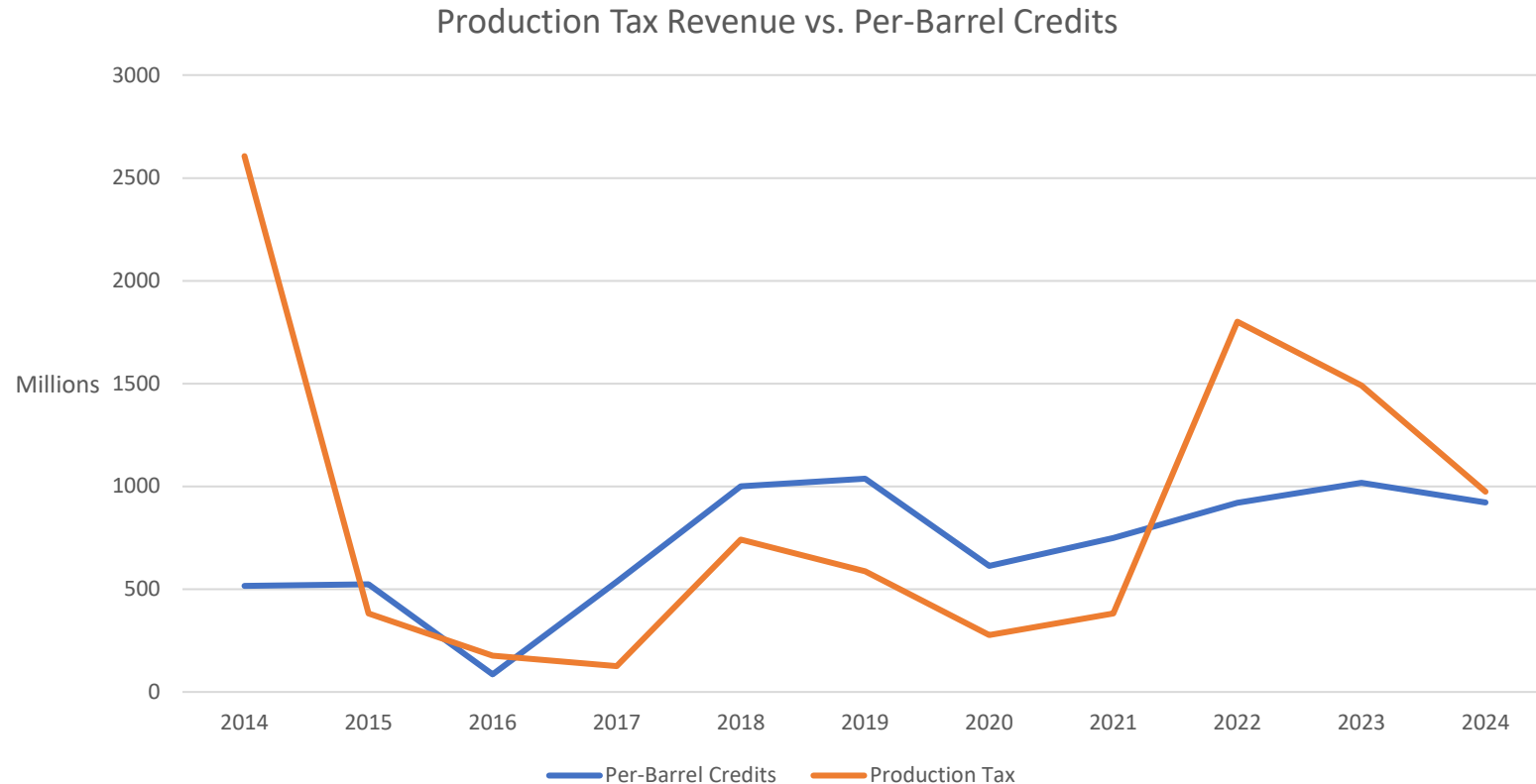
Millions of Dollars

Fiscal Year	Forecast									
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
North Slope										
⁹ 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)	3	0	0	0	0	0	0	0	0	0
¹⁰ Transitional Investment Credit: AS 43.55.023(i)	0	0	0	0	0	0	0	0	0	0
¹¹ Per taxable barrel credit, AS 43.55.024(i)-(j)	636	572	565	561	523	588	715	862	996	1,083
¹² Small producer credit, AS 43.55.024(a)(c)	4	7	0	0	0	0	0	0	0	0
¹³ Credits under AS 43.55.025 ²	0	0	0	0	0	0	0	0	0	0
¹⁴ Total North Slope	643	579	565	561	523	588	715	862	996	1,083

The State of Alaska is projected to give out another \$6.5 billion in the next 8 years.

Source: 2024 Fall Revenue Sources Book

History of production tax revenue vs. per-barrel credits



Sources: 2024 Spring Forecast & 2024 Fall Revenue Sources Book

Per-Barrel Credits Have Not Incentivized Investment on the North Slope: Expenditures

Qualified Capital Expenditures (\$ Millions)	Preliminary										
	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Prudhoe Bay Unit	\$877.00	\$773.00	\$503.00	\$383.00	\$202.00	\$391.00	\$119.00	\$106.00	\$238.00	\$315.00	\$347.00
All Other ANS	\$3,065	\$3,285	\$1,578	\$1,186	\$1,622	\$1,935	\$1,815	\$1,381	\$1,690	\$2,817	
Total ANS	\$3,942	\$4,058	\$2,081	\$1,569	\$1,824	\$2,326	\$1,934	\$1,487	\$1,928	\$3,134	

Source: DOR Reported ANS Lease Expenditures and Capital Lease Expenditures: CY 2014 – CY 2023 & DOR's response to SRES 3.3.25

Per-Barrel Credits Have Not Incentivized Investment on the North Slope: Credits

Estimated Prudhoe Bay Per-Barrel Credits

(\$Millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total value of per-barrel credits used against tax liability	516	524	82	531	994	1,030	607	746	920	1018	921
Prudhoe Bay as percentage of total ANS production	57%	58%	58%	58%	56%	57%	58%	60%	63%	64%	65%
Estimate of credits collected at Prudhoe Bay	294	304	48	308	557	587	352	448	580	652	599
Qualified Capital Expenditures for Prudhoe Bay	877	773	503	383	202	391	119	106	238	315	347

“Development that actually costs the state remains Alaska’s least understood and most pressing economic problem. Few politicians seem concerned that we do not extract enough wealth from new resource development to offset its costs.”

-Governor Jay Hammond



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What SB 112 does

SB 112 reduces the sliding-scale per-barrel credit by \$3 and ties credits received to the amount of capital investment by the producer:

- Sliding per-barrel credits vary between \$5 for oil priced at \$80 or less and \$1 for oil priced at \$120 or less, and \$0 thereafter.
- Producers may only claim credits commensurate with their qualified capital expenses from the same year.

The new investment caveat encourages investment spending on projects in Alaska that will maintain production, create jobs for Alaskans, and promote industry growth.

How much does SB 112 raise?

\$ Millions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
SB 112 Per-Taxable Barrel Credit Scale	\$190	\$162	\$148	\$106	\$111	\$101	\$90	\$94	\$99	\$98
Per-Taxable Barrel Credits Limited by Capex	\$84	\$74	\$40	\$20	\$61	\$50	\$41	\$31	\$23	\$14
Combination of the Above	\$190	\$164	\$149	\$107	\$112	\$102	\$91	\$96	\$101	\$100

Source: DOR estimates for revenue raised

Brian Fechter, Deputy Commissioner, Department of Revenue

“[After studying the per-barrel tax credit] we found that capping the \$8 sliding scale per-barrel tax credit at \$5 per barrel... would allow the oil companies to remain competitive”

Testimony to Senate Finance 1/28/22

On August 5th 2021 Lucinda Mahoney, as DOR Commissioner, testified to the Fiscal Policy Working Group:

“[These] are some of the revenue options that the Governor would support, as long as there was support from The Legislature.... The first one is to modify the maximum per-barrel credit, oil and gas credit, from \$8 to \$5”

Questions?