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AMENDMENT # 1

OFFERED IN THE HOUSE

BY: REPRESENTATIVE GARA

TO: CS HB 125 (FIN)

Page 3 line 1 insert:

“(5) must identify whether total state, federal and local oil or gas tax rates are comparable to or different from the average rate charged around the world, in North American jurisdictions, and in other comparable jurisdictions; and

(6) may include recommendations on whether changes in oil or gas laws are needed to promote production, exploration, and maximum long term revenue from Alaska’s oil and gas resources.

Renumber accordingly.

WOOD MACKENZIE

GLOBAL OIL AND GAS — RISKS AND REWARDS 2004

Alaska's Profitability — Full Cycle, Post Government Take

Rate of Return (IRR — Nominal)

	Low Price (\$16)	Base Price (\$22)	High Price (\$35)
Alaska's Ranking	15/49	14/52	14/53
Alaska's IRR	18.09%	23.57%	29.11%
Global Average IRR	15.20%	18.94%	23.07%

Full Cycle Government Take

Full Cycle Gov't Take (% Of Pre-Take Net Cash Flow, Undiscounted)

	Low Price (\$16)	Base Price (\$22)	High Price (\$35)
Alaska's Ranking	33/54	24/54	19/55
Take on AK Production	71.70%	63.63%	58.40%
Global Ave. Take	70.86%	70.26%	73.34%

Consultant Daniel Johnston on Average Worldwide Government Take

Joint House Resources / House Finance Committee
March 6, 2006 (2:45 - 2:48 pm)

Rep. Kerttula: That was my last question was... Are you aware of any other country that allows that dollar for dollar kind of set off for the oil or, I mean, the gas against the oil or any other manner - one against the other like that. That confuses me to allow that.

Daniel Johnston: Through the Chair, Representative Kerttula. I think I understand the question... dollar-for-dollar credits...

Rep. Kerttula: Right.

Daniel Johnston: But you're talking about dollar-for-dollar credits from oil expenditures against gas profits?

Rep. Kerttula: Right, or vice-versa, the gas against the oil.

Daniel Johnston: I'm sure that they do exist and specific examples of, you know, where you have the 2 different types of production and the credits can "cross the fence" as we say. Many many countries apply and allow either credits or the cousin to credits that we call "uplifts" - investment allowances and things like that. But when governments have different terms for gas as they often do - and quite often they do - the statistics that I showed, and I know there were a lot of those, the world average government take even right now is probably 67 or 70 depending upon how you calculate it. Wood Mackenzie aggregates their statistics a little bit differently too [inaudible] but in the Wood Mackenzie world average government take statistic from their study was I think 71%. The world average statistic for gas take is maybe 61. When you have a different tax system for one versus the other, then you've got problems.

Rep. Kerttula: Thank you.

Effective Average Tax Rates at Various Price Levels¹

(FY 2007-2016)

Average ANS West Coast Price in Real 2006 Dollars:	\$20.00	\$30.00	\$40.00	\$50.00	\$60.00	\$70.00	\$80.00
Effective Tax Rate (Percent)							
22.5/20, 0.25% at \$35 Net Trigger ²	0.0%	7.9%	12.0%	15.4%	19.3%	22.9%	26.2%
23.0/20, 0.25% at \$35 Net Trigger ²	0.0%	8.2%	12.4%	15.8%	19.7%	23.3%	26.7%
23.5/20, 0.25% at \$35 Net Trigger ²	0.0%	8.5%	12.7%	16.2%	20.1%	23.7%	27.1%
Alaska Government Take (Percent)							
22.5/20, 0.25% at \$35 Net Trigger ²	32.7%	32.3%	32.9%	34.3%	36.8%	39.2%	41.6%
23.0/20, 0.25% at \$35 Net Trigger ²	32.7%	32.6%	33.3%	34.7%	37.2%	39.6%	42.0%
23.5/20, 0.25% at \$35 Net Trigger ²	32.7%	33.0%	33.6%	35.1%	37.6%	40.0%	42.4%
Total Government Take (Percent)							
22.5/20, 0.25% at \$35 Net Trigger ²	62.6%	59.3%	58.9%	59.4%	60.8%	62.2%	63.7%
23.0/20, 0.25% at \$35 Net Trigger ²	62.6%	59.6%	59.1%	59.7%	61.1%	62.5%	63.9%
23.5/20, 0.25% at \$35 Net Trigger ²	62.6%	59.8%	59.4%	59.9%	61.3%	62.7%	64.2%
Annual Average Tax Difference Above/(Below) Status Quo (\$2006 M)							
22.5/20, 0.25% at \$35 Net Trigger	(\$240)	\$111	\$525	\$1,068	\$1,843	\$2,760	\$3,818
23.0/20, 0.25% at \$35 Net Trigger ²	(\$240)	\$130	\$556	\$1,112	\$1,900	\$2,829	\$3,900
23.5/20, 0.25% at \$35 Net Trigger ²	(\$240)	\$148	\$588	\$1,156	\$1,956	\$2,898	\$3,981

FROM TODAY

¹ Calculated from April 2006, as published in the Alaska Department of Finance and Administration's "Alaska's Budget Outlook 2006-2010".

² Calculated from the Department of Finance and Administration's "Alaska's Budget Outlook 2006-2010".

