

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 9, 2014

7:59 a.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop
Senator Lesil McGuire
Senator Anna Fairclough
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 192

"An Act relating to the minimum production tax on oil and gas; and relating to the tax credit applicable to each barrel of certain oil produced north of 68 degrees North latitude."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 192

SHORT TITLE: OIL & GAS PRODUCTION TAX RATE/CREDIT

SPONSOR(S): SENATOR(S) STEDMAN

02/21/14	(S)	READ THE FIRST TIME - REFERRALS
02/21/14	(S)	RES, FIN
04/09/14	(S)	RES AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

SENATOR BERT STEDMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 192.

JANAK MAYER, co-founder
Enalytica

POSITION STATEMENT: Delivered a presentation evaluating SB 192.

ACTION NARRATIVE

[7:59:23 AM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 7:59 a.m. Present at the call to order were Senators Bishop, Fairclough, Dyson, and Chair Giessel.

SB 192-OIL & GAS PRODUCTION TAX RATE/CREDIT

[7:59:44 AM](#)

CHAIR GIESSEL announced the consideration of SB 192. She noted that Enalytica would offer input during the second half of the meeting.

[8:00:11 AM](#)

SENATOR BERT STEDMAN, sponsor of SB 192, Alaska State Legislature, Juneau, Alaska, stated that he would first give a broad history of Alaska's tax structure. The theme of the presentation is to make Alaska competitive and repeal the going-out-of-business sale. He emphasized that Alaska is not going out of the oil business so there is no reason to give that impression when the state sells its hydrocarbons.

[8:02:05 AM](#)

SENATOR FRENCH joined the committee.

SENATOR STEDMAN recounted that in 1977 the sovereign of Alaska adopted the Economic Limit Factor (ELF) in an effort to reduce severance taxes. In 2006 the ELF was repealed and replaced with the Petroleum Production Tax (PPT), which was a major shift from a tax and royalty system to a concession contract. He noted that the concession system is common worldwide, whereas tax and royalty is more a North America system. Alaska's Clear and Equitable Share (ACES) replaced PPT in 2007 and was in place until 2014 when it was replaced by Senate Bill 21. SB 192 proposes some minor changes to that legislation.

[8:03:16 AM](#)

SENATOR STEDMAN outlined how the ELF was applied to reduce the severance tax. The base severance tax was 15 percent and then a multiplier between 0 and 1 percent was calculated on the average of all productivity in a given field. For example, if the factor was .5 percent, the severance tax would be 7.5 percent. However,

because the ELF was calculated on volume rather than dollars, the result was that virtually no tax was applied on 15 operating fields. This put the state's fiscal system completely out of balance.

SENATOR STEDMAN said that to address this fiscal imbalance, the state switched to a concession contract in 2006. Under PPT, the base tax rate was 22.5 percent of net value, and a progressivity mechanism was added when the net value was greater than \$40 per barrel (bbl). He noted that he and several other legislators attended classes in London on fiscal systems and how sovereigns deal with gas lines and gas contracts. Those classes reinforced the notion that it's necessary to have a progressive tax system to protect the sovereign. With high oil or gas prices and profit sharing or concession contracts, the sovereign gets a little larger percentage of the pie.

[8:05:29 AM](#)

SENATOR MICCICHE joined the committee.

SENATOR STEDMAN illustrated the progressivity factor under PPT using the example of \$100/bbl oil with a net value of about \$70/bbl. Progressivity is $(\$70 - \$40) \times .0025 = 7.5$ percent. The total tax rate is 22.5 percent + 7.5 percent = 30 percent. The tax is 30 percent \times \$70 = \$21/bbl. He explained that the problems with PPT were that the deductible costs were higher than anticipated, revenues were less than expected, and the entire process was tainted by the VECO corruption scandal.

He described ACES, which is also a concession contract, as similar to PPT but with different bells and whistles. The base tax rate was changed to 25 percent of net value and the .004 percent progressivity element was added when the net value per barrel was greater than \$30. He displayed the example of \$100/bbl oil with a net value of about \$70/bbl. Progressivity is $(\$70 - \$30) \times .004 = 16$ percent. The total tax rate is 25 percent + 16 percent = 41 percent. The production tax is 41 percent \times \$70 = \$28.70/bbl. He noted that the additive on top of the base tax increases the percent share to the sovereign as the price moves up.

SENATOR STEDMAN highlighted that this was on net profits, and the concern was that the .004 slope, or sharing relationship at high oil prices, was heavily tilted to the state. It took a substantial majority of the upside on price shocks from the industry's ability to participate and gave it to the sovereign. The result was a swelling of the state's savings accounts. There

was some discussion of this during ACES but his recollection is that while the price shocks may have spiked to \$110 or \$120, they didn't stay in that arena. He noted that the original calculations were done monthly to grab those short-term spikes, which ended up to be much longer term as is seen today.

SENATOR STEDMAN offered his perspective of the problems with ACES, noting that probably not everyone on the committee would agree. First, the progressivity rate was too high. This resulted in an unfair split between the state and industry when oil prices were high, which removed some industry incentive. Second, the credits were excessive. Industry got 20 percent of capital costs deducted against their taxes. The credits were heavily exposed to maintenance, which came as a surprise to some legislators. There was some talk of what it would take to bring back the old basin but "we missed it by a mile," he said. The concern was that too much capital cost was going into maintenance in the old field, resulting in excessive credits, which distorted economic behavior. A number of legislators felt that the credits were so attractive that it would lead to adverse decision making. Rather than having more oil wells drilled and reworks done, there was a lot of surface maintenance and other things done. Another problem with ACES was that it was too complex. There were too many moving parts and it was too hard for the industry to accurately model investment decisions. The State of Alaska was in a position of competitive disadvantage compared to other basins around the world when it had to match predictability of the cash flows and the modeling used to try to attract more capital expenditures.

SENATOR STEDMAN reviewed a list of the credits under ACES. The capital credit was 20 percent. The well lease expenditure credit, excluding the North Slope, was 40 percent. The exploration credit was 20 percent to 40 percent, depending on location. The small producer credit was \$12 million if there was sufficient offsetting income. The loss carry-forward credit was 25 percent of the annual loss.

[8:12:00 AM](#)

SENATOR STEDMAN highlighted the provisions of SB 21. The base tax is 35 percent of the net value. The per barrel tax credit ranges from \$1 to \$8, based on the Alaska North Slope (ANS) wellhead value. He noted that the wellhead value is basically the gross stock less royalties and less transportation down TAPS to market. For the outlying areas, the gross revenue exclusion for new production is 20 percent to 30 percent. He noted that SB 192 does not address those issues. He opined that the

monetization of net operating losses is fairly standard. It is 45 percent through 2015 and 35 percent thereafter. The minimum tax stays the same at 4 percent of gross value at the point of production. There is also a \$12 million small producer tax credit that SB 192 does not address. He noted his personal feeling is that this credit is not a problem.

SENATOR STEDMAN outlined his perception of the problems with SB 21. First, the per barrel tax credits are too high and not contingent on any performance measure such as capital expenditures. In FY15, the per barrel tax credits will cost the state almost one billion dollars. He explained that he is using calculations for next year because FY14 is half ACES and half SB 21. A second problem with the current tax system is that the 4 percent minimum tax is too low. Under ACES, the state took a higher percentage at high oil prices to offset the exposure the state has at low prices. To help the industry carry the burden at low prices and economic downturns, the state was going to take a higher percentage of price spikes to try to balance things out. He highlighted that there isn't that ability in current statutes, but the state's risk exposure still increases as oil prices drop. Without the per barrel tax credit, the tax structure would be regressive. That means that the percent to the sovereign decreases as the price increases. He said the bottom line is that Alaska's share of the hydrocarbon value from the legacy fields is too low and it has too much downside exposure.

SENATOR STEDMAN turned to SB 192, explaining that it makes several basic changes to Alaska's petroleum production tax. It cuts the per barrel credits in half, and raises the minimum tax from 4 percent to 15 percent of the gross value at the point of production. He described that range as a place holder, because he didn't have the data to accurately set the trigger for the minimum tax. Acknowledging that 15 percent is on the high side, he said it will be decreased to a point that the state is protected and there's balance within the system. He stressed that physical stability in the tax policy is critical in order for the industry to make long-term decisions. It works both ways; if either the state or industry has too heavy a share, there is imbalance.

He pointed out that as the price of oil goes down and credits go up, the state's share of its resource wealth from legacy fields is adversely affected. He displayed a chart of the per barrel credits for SB 21 versus SB 192 at various ANS wellhead prices to show what happens.

<u>ANS wellhead value</u>	<u>SB 21</u>	<u>SB 192</u>
\$140-\$150	\$1	\$.50
\$110-\$120	\$4	\$2
\$90-\$100	\$6	\$3
Less than \$80	\$8	\$4

Next year the price estimate is about \$95, so at \$6/bbl that amounts to roughly \$950 million. He noted that one concern with ACES was that there were too many credits; they were in the neighborhood of \$1 billion so there's the same concern with SB 21. He suggested that a possible solution is to set the base tax at \$45 and raise or lower the per barrel allowance.

[8:17:46 AM](#)

SENATOR MCGUIRE joined the committee.

SENATOR STEDMAN reminded the committee that in 2012, Dr. Pedro van Meurs advised that, in his opinion, legacy fields should have a government take of 70 percent to 75 percent. Under SB 21 the government take is too low in the legacy fields, and that impacts the budget and stability of this fiscal system.

SENATOR STEDMAN emphasized the importance of counting the cash rather than focusing on dollars per barrel. Prudhoe Bay is a massive old basin with a lot of in-place infrastructure that is fully depreciated so the margins are very handsome. He displayed a chart (slide 16) showing the cash in the FY15 forecast. He noted that he worked with the Department of Revenue and that the numbers are a little different than in DOR's Revenue Sources Book. The expectation is that 489,400 barrels per day at \$105.06 yields a gross value of \$19 billion. Subtracting the net royalty value of \$2.4 billion and transportation costs of \$1.6 billion yields the ANS wellhead value of \$15 billion. This is also called the gross value at the point of production. From \$15 billion subtract \$2.5 billion in operating costs (opex) and \$4.4 billion in capital costs (capex) and \$315 million in property tax, which leaves \$7.8 billion. The discussion had been about how to split that up. It can be profit sharing, concession contracts, ACES or PPT, but in the end it all comes down to net cash, he said.

SENATOR STEDMAN continued to say that the 35 percent base tax rate (effective tax rate 34.2 percent) would be \$2.6 billion and the per barrel tax credit is \$950 million. The net base tax would be about \$1.7 billion, and then there's a \$222 million loss carry forward credit. This is for the legacy fields only.

He cautioned that if oil prices drop to the high \$70s, the credits could be \$1.250 billion. "And that's going to be a tough one to explain in this building I would think." This is a dangerous ratchet from the sovereign side, he said.

[8:24:39 AM](#)

SENATOR STEDMAN reviewed the data from North Dakota for comparison purposes. The gross tax is 11.5 percent and the private royalty owner take is plus or minus 20 percent for a 31.5 percent gross tax rate. He noted that in North Dakota, the most common royalty for the private landowner is 25 percent and that's where the work is taking place because North Dakota doesn't own its subsurface. Alaska is the only state in the union that owns its subsurface.

He displayed a chart that compares the FY15 forecast for Alaska versus North Dakota, applying the same \$19 billion gross value. Alaska royalties are roughly 12.5 percent and North Dakota is 20 percent. The base tax for Alaska is 35 percent on net (\$2.3 billion) and North Dakota is 11 percent on gross (\$3.8 billion). Alaska has a per barrel credit of \$953 million, other credits of \$222 million, property tax of \$315 million, and income tax of \$447 million. The total for Alaska is \$4.5 billion whereas the total for North Dakota is \$6 billion. That is a \$1.5 billion difference. If North Dakota is the benchmark, then Alaska isn't competitive. He said he would argue it's a going-out-of-business sale. "We should be a lot closer to North Dakota," he asserted.

SENATOR STEDMAN directed attention to a chart titled "Alaska (ACES) vs. North Dakota and explained that he applied the same analysis using FY13 historic data. It shows the Alaska total is about \$763 million higher than North Dakota. He noted that this difference is what generated the discussion that Alaska was not competitive under ACES; progressivity and credits were a problem. Alaska passed SB 21 "and North Dakota is eating our lunch" because North Dakota is having an oil expansion. Under ACES Alaska was about \$.5 billion high, and under SB 21 it is more than \$1 billion low. "That's too big of a spread; we don't have to be that aggressive to be competitive."

He highlighted the importance of Alaska receiving fair compensation for its hydrocarbons, and reminded the committee that Alaska's tax structure is nothing more than setting a sale price for its hydrocarbon. "We could retile it and take the tax name out of it. What we're trying to do is come up with a fair sale price."

SENATOR STEDMAN said he didn't believe it was necessary to reduce the tax in the legacy fields to the level that's been done in Prudhoe Bay and Kuparuk. He hasn't seen any analysis showing that a change of this magnitude is warranted. The net present value and internal rate of return surpass the industry hurdle rate and are extremely profitable. According to a 2011 superior court ruling, there are approximately 7 billion barrels of proven reserves that are technically, economically and legally deliverable in the legacy fields with a value of approximately \$800 billion at current oil prices. The value of the remaining reservoir is higher than the cumulative value of all the North Slope oil produced to date.

He concluded that he looks forward to engaging with the committee on suggested amendments and shutting down the going out of business sale, because that isn't going to happen.

[8:31:58 AM](#)

SENATOR FAIRCLOUGH clarified that the TAPS Committee heard a presentation by Cathy Foerster yesterday and she reported that there had been a bend on Prudhoe Bay and that the historic 6 percent decline had been bent up to 2 percent this year. Kuparuk had been bent up from a 6 percent decline to a 4 percent decline.

SENATOR FAIRCLOUGH asked for further explanation of the credit differences between the comparison on FY13 under ACES and FY15 under SB 21.

SENATOR STEDMAN replied the only credits are the \$220 million; there are no capital credits.

SENATOR STEDMAN addressed the first comment with the explanation that marginal production is increasing in the basin, but not year-on-year. He said he's been told the state should expect a future decline curve for Prudhoe Bay of 1 percent to 2 percent. "We were talking about that decline curve 3 years ago so it's nothing new, although it's nice to see the shallowing of the decline curve and flattening of the tail."

[8:35:13 AM](#)

SENATOR DYSON expressed interest in having a discussion on three topics: 1) if the net tax leaves room for opex to go way up without providing an incentive for the producers to find cheaper, more efficient ways of lifting oil and getting it in the pipe; 2) if there is a depletion allowance; and 3) if the

major producers are going after production in the legacy fields because there is no incentive for heavy oil development.

He asked the sponsor to provide his perspective.

[8:37:45 AM](#)

SENATOR STEDMAN replied he wasn't prepared to speak on heavy oil, but he recalled conversations that the industry was not ready for incentives for heavy oil. The legislature was told to wait until the incentives could be targeted, "so we're just not throwing credits on the table and causing more adverse behavior." He noted that those conversations took place under ACES and he hasn't had further conversations with the industry in the last couple of years.

SENATOR MICCICHE said he had a number of questions, but he'd hold them until there was more time.

CHAIR GIESSEL thanked Senator Stedman and invited Janak Mayer to present his evaluation of SB 192.

[8:39:43 AM](#)

JANAK MAYER, co-founder, Enalytica, opened his presentation with a discussion of the importance of judging a fiscal system by its performance over the life cycle of an asset versus a single-year snapshot. He explained that judging a fiscal system with a single-year snapshot can give an incomplete or distorted picture because it does not show what a prospective investment looks like under different circumstances.

He displayed a chart (slide 4) of the typical cash flows over the life cycle of a project. This illustration shows heavy upfront capital spending as facilities are built and wells are drilled. Once the project comes on line, the capital spending generally declines and operating costs start as revenues come in and the project goes into operation. When one looks at project economics and the attractiveness of a fiscal system over its life cycle, the focus is on this cycle of spending and the different components of costs that appear at different times. If one is looking at single-year snapshots, it is easy to conclude that costs are going up and that it takes more capex to get a barrel of oil now than it did a couple of years ago. However, the general explanation for capex is that there is additional development spending going on for several projects. It is capital spending for future production that is being expensed on current barrels. He emphasized the importance of keeping that point in mind.

[8:43:27 AM](#)

MR. MAYER displayed a table (slide 5) to show how the production tax calculation compares under SB 21, under ACES and under an 11.5 percent gross tax like in North Dakota. The calculations are from the Department of Revenue's [Fall 2013] Revenue Sources Book forecast for 2015, but on a dollar per barrel basis rather than the total cash basis that Senator Stedman showed. He explained that he did not adjust for the high royalty in North Dakota because royalties vary widely. In part, this is due to the great disparity in well productivity in almost all conventional plays.

The ANS West Coast forecast price of \$105.06 less \$10.03 in transportation costs leaves \$95.03 in gross value at the point of production, in all three cases. The Revenue Sources Book forecasts about \$46 a barrel in deductible expenditures, with the capital expenditures close to double the operating expenditures. This was not typical in the past, but is a sign of substantial new capital spending to create future production that is expensed over current barrels. That is a basic reason why revenue to the state from the tax system over the next couple of years is lower than one might otherwise have hoped. This is not the fundamental characteristic of SB 21 versus ACES, but of profit-based taxation in general. When spending is high, revenues to the state are reduced because costs are deductible against revenues to tax the cash flow.

The production tax value under SB 21 is \$48.64 and under ACES it's \$49.04. It's a little less under SB 21 because of the \$0.40 per barrel gross value reduction for that system. The amount is small because the Department of Revenue estimates it only applies to a small portion of the total production. The production tax before credits is \$17.02 under SB 21, \$16 under ACES and \$10.93 under the 11.5 percent gross tax. The amount is slightly higher in the SB 21 case because of the higher base rate that applies. In the ACES case there is a low base rate with progressivity, but when there is almost \$50 per barrel in costs, there is almost no progressivity trigger.

[8:48:45 AM](#)

MR. MAYER explained that in each system the credits (in the case of ACES applied on capital spending and in the case of SB 21 applied by some production) primarily exist to take what would otherwise be a slightly regressive taxation system and either make it flatter or more progressive. Capital credits under ACES emphasize the cost-progressive nature of the system so that when

costs are very high, taxes are very low. In this case, credits and production go hand in hand; you don't have the situation where high spending on the low current production can yield a particularly low tax revenue to the state.

MR. MAYER advised that looking at the bottom line in a single-year snapshot shows very little difference between any of the three systems. They each yield about the same level of revenue. SB 21 yields \$10.97, ACES yields \$10.38, and the 11.5 percent gross tax yields \$10.93. He noted that it is somewhat surprising that ACES yields the lowest revenue, considering all that's been said.

8:50:06 AM

MR. MAYER displayed a reproduction of the previous table, but with a \$15/bbl assumption for capital spending instead of \$28.08/bbl to illustrate the impact this can have. This shows ACES as a very high-yielding tax regime, giving \$20.51 per barrel of production in tax revenue. SB 21 has a tax burden of \$15.55 and the 11.5 percent gross tax remains at \$10.93 because it doesn't change with costs. He said this gives a sense of the impact of the high capital spending that's going on right now. It is fundamentally investment in future production, but it is bringing down tax in terms of the revenue the state currently receives. He again stressed that unless one thinks about those lifecycle impacts when one looks at the snapshot, one doesn't get a full picture of what's going on and the nature of the taxation system.

MR. MAYER displayed a graph (slide 7) that compares the government take on base production for ACES, SB 21, SB 192 and SB 21 with the 15 percent gross minimum proposed in SB 192. He explained that there are basically two elements to SB 192: the 15 percent gross minimum tax, and the reduction in the production-based credit. The idea is to desegregate those two things and understand the effect of the change in the credit and the effect of the tax.

He discussed the fundamental changes between ACES and SB 21. There is the flat 35 percent tax rate, but there are prices above the \$65 range that give a progressive shape to the overall curve of the tax. He said it's important to understand that when one talks about the effect of spending on taxation. He noted that Senator Stedman did a good job of highlighting some of the problems in ACES and in particular some of the problems for the state in times of low oil prices or high spending. There are many ways (beyond the question of high take and its impact on

competitiveness) to look at potential stress cases for the state under ACES and be quite concerned because of the very high levels of support for government spending.

That is particularly the case because ACES, unlike SB 21 or most profit base taxes, didn't simply say costs are deductible and the base is reduced when you spend more. It said that the tax rate is reduced when you spend more. The sensitivity to costs and spending, particularly capital spending, is high under ACES because you are reducing the tax base, changing the tax rate, and introducing the 20 percent capital credit all at once.

MR. MAYER explained that SB 21 did some key things to reduce the very high degree of sensitivity of the tax system to spending. It eliminated progressivity and the capital credit and it made the 4 percent gross minimum tax a hard floor for base production. A difference between SB 21 and ACES is that at the lowest price levels (\$60 and below range), SB 21 is actually a tax increase over ACES, primarily because of that binding 4 percent floor.

MR. MAYER said the majority of the impact of SB 192 comes from raising the gross minimum tax from 4 percent to 15 percent. "What it really does is it takes that hockey stick of whether the regressive nature of the royalty and the fixed minimum combined kick in to really increase government take at the lowest prices or the highest costs and shifts that substantially to the right." Instead of a point where taxes are higher than they would have been under ACES at \$60, the range is more like \$75.

The next slide shows the effect of assuming higher capital spending. This is looking at a low capital spending scenario that's just sufficient to maintain the historical decline of close to 6 percent. But even in this case there is a substantial shift to the right that's a result of that high 15 percent floor. The basic impact of having the capital credit is to take the progressive shape of the sliding scale credit and flatten it out to something more neutral.

MR MAYER reminded the committee that when it considered SB 21, it was looking at putting in a flat \$5 per barrel credit to create a fairly neutral overall system. The other body said it would like to take a little more on the upside and was willing to give a little more on the downside to make this even more competitive, particularly in the \$70-\$100 price range. He noted that this is where oil companies did the majority of their

analysis of the economics, wanting to make it particularly competitive at those prices and therefore take slightly more at higher prices. That's a policy judgment that individuals can easily agree to differ on, but that's the fundamental impact of having the credit placed similarly to take that progressive system and making it flatter and more neutral. However, the bigger impact is that 15 percent gross minimum; it fundamentally changes the economics.

He displayed the same graph comparing government take on base production in a high reinvestment scenario, essentially doubling the minimum capital spending of the first series of assumptions, everything shifts to the right. You see the crossover point where SB 21 is a tax increase over ACES, substantially shifted to being more like \$95 per barrel than \$60 per barrel or below that we saw in the pure minimal reinvestment. That rises even further to over \$100 per barrel in the case of SB 192, mostly as a result of that 15 percent gross minimum tax.

9:00:16 AM

MR. MEYERS advised that it is most important to consider the difference between progressive and regressive fiscal systems. Fundamentally, whether it's a regressive fixed percentage gross tax or a progressive profit-based tax, each is very workable and each entails a distinct risk-reward tradeoff. He continued:

I can have a fixed royalty take the steady portion of the barrel and do a great job of protecting the state in the downside, because in any system like that government take is very high. As prices decrease and costs increase, the state is always protected. But I do that by striking a deal that essentially says I want this protection on the downside so I'm willing to give up a lot of the upside.

Conversely, one can do what typical profit-based tax systems do around the world which is to drive the opposite bargain. That is to take more of the upside and in order to do that to take more of the risk on the downside. From an investor's perspective, both of those can be appealing investment scenarios because they entail sound risk-reward tradeoffs.

The profit-based tax in Alaska under ACES, and to some extent under SB 21, has been a hybrid of those two. It says the state wants at least some of the upside that comes from a profit-based system, but also some of the protection on the downside of both the royalty and the hard binding 4 percent minimum floor. It

provides protection in the tax system as well as the protection that the gross royalty gives. But to go from 4 percent to 15 percent changes that risk-reward tradeoff. It tries to get more of the downside economics of a fixed gross tax while still trying to take a lot of the upper end for profit-based taxation. He concluded that it's difficult to have both and still have an attractive investment environment.

CHAIR GIESSEL thanked the sponsor and Mr. Mayer.

9:03:29 AM

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 9:03 a.m.