

Fiscal Note

State of Alaska
2024 Legislative Session

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| Bill Version: | SB 194 |
| Fiscal Note Number: | 1 |
| (S) Publish Date: | 1/18/2024 |

Identifier: 0381-DNR-DOG-01-16-24
 Title: REDUCE ROYALTY ON COOK INLET OIL & GAS
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Natural Resources
 Appropriation: Oil & Gas
 Allocation: Oil & Gas
 OMB Component Number: 439

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2025 | Included in | Out-Year Cost Estimates | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|------------|------------|------------|------------|
| | Appropriation Requested | Governor's FY2025 Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| OPERATING EXPENDITURES | FY 2025 | FY 2025 | | | | | |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Services | | | | | | | |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | | | | | | | |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | *** | | *** | *** | *** | *** | *** |
| Total | *** | 0.0 | *** | *** | *** | *** | *** |

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Initial version, not applicable

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|--------------|---|--------|---------------------|
| Prepared By: | Jhonny Meza, Commercial Manager | Phone: | (907)269-8774 |
| Division: | Oil & Gas | Date: | 12/28/2023 12:00 AM |
| Approved By: | Theresa Cross, Administrative Services Director | Date: | 01/16/24 |
| Agency: | Department of Natural Resources | | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION**Analysis**

This bill amends the 10-year five percent royalty discount on certain Cook Inlet oil and gas fields program found in AS 38.05.180(f)(5) and modifies the program to include new production in Cook Inlet, regardless of discovery date, and removes limits on eligible volumes of oil or gas during the 10-year period of reduced royalty. Eligibility is subject to determination by the Department of Natural Resources (DNR) commissioner, rather than being automatic.

The current statute grants a five-percent royalty rate for oil or gas produced for sale for the first 10 years but is limited to six Cook Inlet fields discovered before 1988 and provides a deadline of January 1, 2004 for start of production (in AS 38.05.180(dd)). The statute limited the eligible volume to the first 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas produced for sale from that field.

Operating Expenditures:

The Division expects to implement this bill with existing resources and does not anticipate requiring additional funding.

Change in Revenue:

The changes to revenue are indeterminate. While the Division expects that companies are more likely to make investments in new Cook Inlet production under this bill than without the changes proposed in this legislation, the timing and scale of those investments, as well as the time to bring new production online are not certain and would affect changes in revenue to the State. Generally, while the bill reduces the State royalty on eligible new production, modeling by the Division indicates that the new production is less likely to occur without the proposed royalty rate modification.