

SENATE FINANCE COMMITTEE

May 8, 2024

9:30 a.m.

9:30:30 AM

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:30 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

John Crowther, Deputy Commissioner, Department of Natural Resources; Nicholas Fulford, Senior Director, GaffneyCline; Ken Alper, Staff to Co-Chair Olson; Kara Moriarty, Executive Director, Alaska Oil and Gas Association.

PRESENT VIA TELECONFERENCE

Christy Resler, President, Arctic Slope Regional Corporation Energy Services.

SUMMARY

CSHB 19(FIN) am

REGISTRATION OF BOATS: EXEMPTION

CSHB 19(FIN) am was scheduled but not heard.

HB 50 CARBON STORAGE

HB 50 was heard and HELD in Committee for further consideration.

HB 81 VEHICLES/BOATS: TRANSFER ON DEATH TITLE

HB 81 was scheduled but not heard.

HB 126 ASSOCIATE AND PROFESSIONAL COUNSELORS

HB 126 was scheduled but not heard.

HB 144 REPEAL EDUCATION TAX CREDITS SUNSET

HB 144 was scheduled but not heard.

#hb50

CS FOR HOUSE BILL NO. 50 (FIN)

"An Act relating to carbon storage on state land; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to carbon storage exploration licenses; relating to carbon storage leases; relating to carbon storage operator permits; relating to enhanced oil or gas recovery; relating to long-term monitoring and maintenance of storage facilities; relating to carbon oxide sequestration tax credits; relating to the duties of the Department of Natural Resources; relating to carbon dioxide pipelines; and providing for an effective date."

[9:31:29 AM](#)

Co-Chair Olson discussed housekeeping.

[9:31:52 AM](#)

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, continued to address the presentation from the previous day entitled "HB 50 Carbon Capture, Utilization, and Storage" (copy on file).

Mr. Crowther addressed slide 14, "HB 50 Commercial Terms":

**Commercial Minimums - AS 38.05.705 (sec. 17)**

- Minimum rental rate of \$20 per acre

- Minimum injection charge of \$2.50 per ton of carbon dioxide

**CSHB 50 SRES**

- AS 38.05.715(c) enables the commissioner to evaluate economic feasibility of the terms at the time of lease conversion and set alternative terms, if necessary, in a best interest finding.

**Flexibility in Commercial Terms improves the State's ability to maximize the resource:**

- The value of pore space is highly dependent on:
  - Geotechnical factors: depth, porosity, permeability, seal, under burden, faults, geochemistry, total dissolved solids, etc.
  - Non-technical factors: source of CO2, transportation distance, proximity to infrastructure, complexity of land ownership
- DNR is adept at evaluating the State's interest to account for other non-monetary factors

[9:33:35 AM](#)

Mr. Crowther addressed slide 15, "Peer State Leasing Terms." The slide showed a table with information from other state's provisions related to carbon capture projects.

[9:34:28 AM](#)

Mr. Crowther displayed slide 16, "Addressed In Other Committees":

- **EPA Class VI amendments (sec. 34):**
  - Certificate of completion 50-year default period - AS 41.06.170
  - Removal of "good cause" exemption - AS 41.06.110
  - Title to carbon dioxide to pore space owner unless contrary agreement - AS 41.06.165
  - Carbon storage facility injection surcharge: annual surcharge to project specific \$7.5 million account - AS 41.06.175
  - Long-term monitoring and maintenance: authorizing DNR to enter and inspect closed storage facilities and perform discretionary activities beyond regulatory responsibilities of Class VI well permit. - AS 41.06.305

- **Dismantlement, removal, and restoration** (DRandR) (sec. 17):
  - Modified AS 38.05.720 to account for DRandR obligations of an enhanced oil recovery reservoir transitioning to a carbon storage lease
  - Added AS 38.05.750 to direct DRandR on closed licenses and leases
- **Carbon dioxide pipelines:** Amended AS 46.03.020 to add CO2 pipelines to the regulatory authority given to the Alaska Department of Environmental Conservation (sec. 55)
- **Evaluate gas storage proposals:** Directs DNR to call for proposals for gas storage when noticing carbon storage application
  - AS 38.05.710 (sec. 17)
- **45Q tax credits:** new section to exempt the use of 45Q tax credits against state corporate tax income liability (sec. 49)

Mr. Crowther noted that the bill before the committee addressed the suite of regulatory provisions needed by the department. The department strongly supported the current version of the legislation.

[9:36:33 AM](#)

Mr. Crowther addressed slide 17, "HB 50 Components":

**Carbon Capture, Utilization, and Storage (CCUS) (sections 1-34; 37-40; 49-50; 55-57; 61)**

- DNR carbon storage leasing framework (sec. 17 pore space, secs. 18-24 pipelines)
- AOGCC Class VI regulatory framework (sec. 34)
- Decouple Alaska Corporate Income Tax from 45Q (sec. 49)
- CO2 EOR and lease expenditures (sec. 50)

**Other Issues**

- Cook Inlet seismic data (secs. 35-36)
  - Department of Natural Resources, Division of Geological and Geophysical Surveys
  - Language from HB 257
- Gas storage facilities regulation (secs. 41-47 and 56)
  - Regulatory Commission of Alaska (RCA)
  - Language from SB 220 and HB 394
- Corporate income tax on oil and gas companies (secs. 48, 58-59, 63)

- Department of Revenue
- Language from SB 114
- Cook Inlet reserve-based lending (secs. 51-54)
  - Alaska Industrial Development and Export Authority (AIDEA)
  - Concepts from HB 388

[9:38:08 AM](#)

NICHOLAS FULFORD, SENIOR DIRECTOR, GAFFNEYCLINE, discussed a presentation entitled "HB 50 Economic and Fiscal Features," (copy on file).

Mr. Fulford offered introductory comments and explained that he had been working on carbon capture and sequestration projects around the world over the last 5 years. His particular interest was in the commercial and contractual features of projects and investment. He explained that the EPA monitored emissions very closely and produced a comprehensive database of emissions.

[9:39:32 AM](#)

AT EASE

[9:40:50 AM](#)

RECONVENED

Mr. Fulford showed slide 2, "Scale - How big is the opportunity?":

- Total State CO2 emissions amount to 14.3 MTPA
- Of that, the vast majority(62%) arises from Prudhoe Bay / North Slope operations
- A 2 MTPA plant would reduce total state emissions by 14%
- It would reduce the carbon intensity of Prudhoe Bay oil by 140 kg CO2e/barrel
- Federal 45Q tax credits would amount to up to \$170 million per annum

Mr. Fulford observed that the pie chart showed the breakdown of Alaska GHG emissions.

Mr. Fulford relayed that over the next three slides, he would paint a picture of what a hypothetical case would look like, broken down by carbon capture elements,

transportation, and storage. He urged the committee to consider that for any of the schemes to work the numbers had to reach the economic limit presented by the 45Q credits, or \$85 per ton.

[9:44:43 AM](#)

Mr. Fulford stated that to bring the number down to what would be a commercial investment case some aggressive assumptions had been included in the hypothesis.

[9:45:33 AM](#)

Mr. Fulford showed slide 3, "Capture Financials - 2 MTPA hypothetical case," which showed a graph entitled "Capture Cash Flows," and a table depicting capture cost. He directed attention to the financial inflows and outflows on the graph. He said that the effective income that would need to be gained to justify the \$500 million of capital expenditure required would be \$60 per ton.

Mr. Fulford pointed out the feature of the capture element, and how it would apply to different facilities. He said that the key question would be the ability to install a capture plant within the economic parameters.

[9:47:43 AM](#)

Senator Bishop asked about the baseline for the hypothetical scenario on the slide.

Mr. Fulford shared that the financial features reflected what one might find in a capture plant in Louisiana or Texas. He continued that investors might be looking for a more aggressive return on investment. He thought the slide was reflective of projects that were currently being invested in but with less generous returns.

Senator Bishop asked whether the slide reflected a direct air capture point source or an air capture. He asked whether the numbers reflected \$130-ton 45Q credit.

Mr. Fulford replied that direct air capture would be an order of magnitude higher cost than reflected on the slide.

Senator Bishop understood that the slide reflected a point source.

Mr. Fulford relayed that the scenario involved an amalgamation of gas turbines, compressive facilities, and things that lent themselves to an economic capture mechanism. He used the example of one of the biggest refineries in Texas, which had 3 or 4 major CO2 sources that lent themselves to capture. He said looking at the North Slope emissions it could be assumed that two-thirds of the emission would not be feasibly capturable.

[9:50:35 AM](#)

Mr. Fulford addressed slide 4, "Transportation Financials - 2 MTPA hypothetical case," which showed the previous slide but addressed transport cash flows. He said that to create an economic business case he had assumed shorter distances. He noted that most of the tariff would arise from OPEX and compression. He noted that the slide, along with the subsequent slide, represented more predictable financials, akin to the construction of a reasonably substantial gas pipeline.

[9:51:58 AM](#)

Mr. Fulford turned to slide 5, "Storage Financials - 2 MTPA hypothetical case," which showed a graph of storage cash flows and a table depicting storage cost. He noted that there was an error on the slide and would provide a corrected slide for the record. The corrected number would reflect a tariff of \$5 per ton of CO2. He relayed that the drilling of injection wells, monitoring wells, and other infrastructure would be included. He said that carefully measuring the stored CO2 would be critical. He stated that the unintuitive cashflows involved CO2 being injected into a particular strata, which would be filled up and plugged. He said that additional CAPEX would be necessary and was reflected on the slide.

Mr. Fulford explained that the three slides with the hypothetical cases added together reflected what a project on the North Slope might generate.

[9:54:33 AM](#)

Co-Chair Stedman wondered if a state fee for the storage could be negated by tax credits offered to industry. He cited previous conversation concerning carbon that had not reflected a financial benefit to the state.

Mr. Fulford thought that the question involved a series of policy and taxation issues. He noted that later the presentation would include some hypothetical scenarios that could be helpful. He stressed that mitigation of CO2 was becoming increasingly important. He discussed the feature of increased tendency for carbon contents from oil production to be factored into the price of oil. He mentioned the increase in the carbon intensive nature of production. He believed that the question was twofold; the direct impact of incurred storage fees, and the broader strategic benefits that might arise from indirect features. He said that now that the 45Q tax consequences were isolated from state corporate income tax, the revenues should generate additional tax revenue to the state - provided the \$85 limit could be exceeded.

[9:59:03 AM](#)

Co-Chair Stedman stressed the importance that carbon capture policy be crafted carefully and with financial benefit to the state.

[9:59:46 AM](#)

Mr. Fulford referenced slide 6, "Where are the opportunities for State revenue":

- For Carbon Capture, transportation and storage
  - Property tax
  - Corporate income tax
  - Storage fee revenue (per acre / per tonne)
- For EOR where feasible
  - Increased production tax and royalty
- Longer term
  - Premium pricing (or avoided discount) by reducing carbon intensity of North Slope oil and gas
  - Downward influence on cost of capital for oil / gas investment in Alaska

Mr. Fulford relayed that the slide summarized much of what had already been discussed.

[10:01:59 AM](#)

Co-Chair Stedman wanted more detail in differentiating between storage for a fee versus enhanced oil recovery on the North Slope. He considered Cook Inlet as a storage

basin and cautioned that positive cashflow to the state could be offset by tax credits to industry.

Mr. Fulford thought the concept of large-scale imports from other countries could be an investment opportunity for Alaska that did not exist anywhere else in the United States. He said that Alaska would be competing with other potential takers for imported CO<sub>2</sub>. He said that the contractual features around long-term liabilities would be key in insuring that the state carried no liability and would require a dialogue between the state and the exporting government. He concluded that there was a host of features that would apply to a scheme involving international import and appreciated the caution taken by the committee.

[10:05:27 AM](#)

Co-Chair Stedman wondered whether Mr. Fulford could assist with information about what other countries charged for storage. He asserted that this was a very new concept for the state. He contended that Alaska was able to market storage space at a significant price.

Mr. Fulford agreed that Cook Inlet held potentially high value in global terms. He relayed that he could do some modeling for the state that set out a cost base for each part of the chain in the supply environment. He said that the order of magnitude transoceanic transport of CO<sub>2</sub> from Asia to Alaska would be \$50 per ton, a ten-fold increase from moving the CO<sub>2</sub> a few miles. He considered the capture side of the scenario and said that the reason that countries like Japan were interested in CO<sub>2</sub> capture and export was because they had a huge array of coal and gas fired power generation, which were assets that had many decades of life. He said that the implications of having to decommission the plants and replace them with low or zero carbon generation provided a strong economic driver to find ways to export CO<sub>2</sub>.

[10:08:29 AM](#)

Co-Chair Stedman recognized that other states have similar potential. He noted that Cook Inlet was a tidewater area and thought it was difficult to compare to other states when determining storage price.

Mr. Fulford commented that while there was a flurry of investments in places such as Louisiana and Texas, the design in those places was not comparable to the longer-term import model unique to Alaska.

[10:10:39 AM](#)

Mr. Fulford addressed slide 7, "Geological Sequestration vs EOR":

- Some states have assessed that CO2 capture incentives are too heavily skewed towards geological sequestration
- Risk to upside state revenues from oil and gas royalty and taxes
- Wyoming recently enacted a \$10/tonne incentive for EOR to supplement 45Q
- Many states have EOR tax incentives that predate 45Q

Mr. Fulford noted that the right-hand side of the slide showed a table with a high-level comparison of geological sequestration versus capture, versus Enhanced Oil Recovery (EOR).

[10:13:21 AM](#)

Mr. Fulford spoke to slide 8, "Commercial Structure and Accounting Treatment":

- Carbon capture projects are typically structured as a Special Purpose Vehicle (SPV)
- Optimisation of tax credit value is often achieved through a "partnership flip" tax equity transaction with an investor(s)
- Projects can be structured to receive enhanced depreciation treatment from IRS (Modified Accelerated Cost Recovery System, or MACRS) with depreciation occurring over 7 years.
- Capture associated with EOR is often achieved through an arms length sale of CO2
- Blend of EOR and geological sequestration possible, with 45Q allocations according to CO2 flows

Mr. Fulford discussed the yearly federal tax credits for a project on the scale of the proposed project.

[10:14:57 AM](#)

Mr. Fulford discussed slide 9, "Other likely financial outcomes for the State of Alaska - Carbon Intensity of oil - CBAM":

- Differential oil blend pricing based on carbon intensity is emerging, and is likely to be applied in at least some jurisdictions in the US (eg California, Washington state)
- CBAM or Carbon Border Adjustment Mechanism introduced in 2023
  - From 2026 European importers will have to start paying for the carbon content of imported goods, will be fully implemented by 2034
  - Alaskan oil could be disproportionately impacted due to its high carbon intensity
- A 2 MTPA capture project would reduce carbon intensity by about 140kg per barrel.
  - At a price fully reflective of EU ETS current trading levels of 85 Euro/tonne, this could result in around \$90m per annum in increased production tax and royalty (or avoidance of a price penalty)

Mr. Fulford detailed the slide.

[10:16:37 AM](#)

Senator Bishop noted that the legislation could be viewed as an incentive for future oil production. He asked whether it was true that there could be incentives in a premium for oil sales, depending on the client.

Mr. Fulford replied that an investment in carbon capture could enhance the value of Alaskan oil; by not investing the value could evolve at a discount.

[10:17:49 AM](#)

Mr. Fulford displayed slide 10, "Other likely financial outcomes for the State of Alaska - Cost of Capital":

- Attracting capital for oil and gas investment is becoming increasingly challenging
- Especially so given Alaska's high carbon intensity, and environmental vulnerability

- For every \$1bn invested, a saving of \$6 million results for each 10 mils on cost of debt (60% project finances)

Mr. Fulford concluded his remarks.

[10:18:52 AM](#)

Co-Chair Stedman thanked Mr. Fulford for the presentation and coming to committee on such short notice.

[10:19:30 AM](#)

AT EASE

[10:20:35 AM](#)

RECONVENED

Co-Chair Olson explained that the committee would consider a Committee Substitute (CS).

Co-Chair Hoffman MOVED to ADOPT proposed committee substitute for CSSB 50(FIN), Work Draft 33-GH1567\N (Dunmire, 5/7/24).

Co-Chair Olson OBJECTED for discussion.

[10:21:25 AM](#)

KEN ALPER, STAFF TO CO-CHAIR OLSON, spoke to the Summary of Changes, version "P" to "N":

**Change #1** Removed sections related to making available certain seismic survey and geophysical data. These were sections 35-36 of the Senate Resources version.

**Change #2** Removed sections related to regulating gas storage facilities. These were sections 41-47 and 56 of the Senate Resources version.

**Change #3** Removed sections related to taxation on income attributable to a qualified entity. These were sections 48, 58-59, and 62-64 of the Senate Resources version.

**Change #4** Removed sections related to a reserves-based lending program at the Alaska Industrial Development

and Export Authority. These were sections 51-54 of the Senate Resources version.

Mr. Alper relayed that the changes reflected no policy changes to the original legislation but removed language inserted in previous committees.

[10:23:22 AM](#)

Senator Kiehl asked about Change #3, and whether it removed language pertaining to S-Corporations.

Mr. Alper answered affirmatively.

Senator Kiehl thought the change was significant when compared to the bill drafted by the Senate resources Committee. He considered that removing the language maintained the "massive" tax advantage given to only one of the three producers on the North Slope. He believed that the issue still needed to be addressed.

Co-Chair Olson WITHDREW his objection. There being NO OBJECTION, it was so ordered.

[10:24:46 AM](#)

Co-Chair Stedman reiterated that the legislation had been paired down, in the interest of time, to deal mainly with the issue of carbon storage. He said that the items that had been removed could be considered later in another bill.

[10:25:38 AM](#)

Co-Chair Hoffman agreed with Senator Kiehl, but considered that given the timeline, the legislation should be considered with the changes intact.

[10:26:36 AM](#)

CHRISTY RESLER, PRESIDENT, ARCTIC SLOPE REGIONAL CORPORATION ENERGY SERVICES (via teleconference), read from a prepared statement:

Good [morning/afternoon] Co-Chair Olson and honorable members of the Senate Finance Committee, for the record my name is Christine Resler and I am the

President and CEO of ASRC Energy Services, a wholly owned subsidiary of Arctic Slope Regional Corporation.

Arctic Slope Regional Corporation is an Alaska Native Corporation, established pursuant to the Alaska Native Claims Settlement Act with a dual mission to support the economic, social and cultural well-being of its nearly 14,000 Inupiat shareholders.

With more than 40 years of experience serving Alaska and working in the Arctic, AES is the state's largest oil services provider with over 2,300 Alaska full-time and seasonal employees.

We are seeing firsthand the growing interest in Alaska as a place to pursue carbon management. Passage of SB 48 last year and allowing the state to start the process of pursuing primacy for class VI wells has started to attract interest from across the globe.

But without action now to pass both the DNR and AOGCC authorities included in HB50, Alaska will lose momentum and we will see the interest and expertise currently focused on Alaska go to states that are taking the steps to put in place their regulatory frameworks.

It is our goal at AES to be a center of innovation for Alaska and to lead in the development and deployment of technologies that will ensure Alaska remains at the forefront of responsible resource development for the benefit of all Alaskans.

By establishing a regulatory framework for carbon storage on state lands, HB 50 is crucial to that future.

For over 40 years, we have helped companies manage every part of the upstream and midstream development of oil and gas in Alaska.

Systems for managing the associated water, natural gas and other hydrocarbons are integral to producing each and every barrel of oil.

As fields have evolved on the North Slope, we have treated seawater to enhance oil recovery, developed

miscible injectant from other hydrocarbons and - as part of Alaska's regulatory environment, reinjected immense amounts of natural gas.

[10:29:54 AM](#)

Ms. Resler continued her testimony:

However, it is important to remember that we are a long way off from carbon management being a viable business, much less a major part of the investment being deployed on the slope.

AES is currently partnered with Santos and Repsol pursuing federal support through the Infrastructure Law to explore the possibility of capturing carbon from point sources - like gas turbines - on the North Slope.

While we are in the early stages of exploring technologies and designs, having the regulatory framework HB 50 would establish is absolutely essential to our efforts for two reasons.

First, injecting carbon for storage requires a class VI well and the state is currently pursuing primacy thanks to the legislature's actions last year.

We understand that HB 50 includes specific changes to state law based on guidance from the EPA.

Second, without the regulatory and commercial framework for state pore-space we cannot do even the basic technical, economic and engineering work required to even advance the technology because we don't know what rules we are designing for.

We are deeply concerned to see a straightforward establishment of a basic regulatory framework to enable companies like AES to begin exploring what is required for carbon management become a vehicle for tax and other controversial policies with potentially unintended consequences.

Mr. Chairman, members of the committee, I want to be clear that I am not a tax expert or specifically well-versed in our state's lease expenditure systems.

At a high level I understand some of the concerns that have been expressed.

But as one of the people working to actually explore whether carbon is a viable business and support our efforts as Alaskans to always be on the forefront of responsible development, I want to assure you that we have years of work to do before there are serious or substantial investments in projects.

However, I also want to assure you that failing to enact the basic regulatory framework HB 50 envisions this year will set Alaska back significantly and delay the critical work that needs to be done now to protect our state's oil and gas industry.

10:32:40 AM

KARA MORIARTY, EXECUTIVE DIRECTOR, ALASKA OIL AND GAS ASSOCIATION, read from a prepared document:

The Alaska Oil & Gas Association (AOGA) is a professional trade association representing the majority of production, exploration, refining and transportation activities of the oil and gas industry in Alaska. Our mission is to advocate for the long-term viability of the industry.

We support the original policy objective of House Bill 50 to encourage investment in Alaska and to reduce carbon dioxide emissions through carbon capture, utilization, and storage (CCUS).

It is no secret the federal government has developed a robust CCUS regulatory framework to protect the environment and public health, and now for Alaska to compete with other states to attract current industry investment in these types of CCUS activities, the state needs this regulatory framework contained in HB 50.

As it relates to CCUS, there is one section of the bill that we do not support; Section 50.

As we understand, for a carbon capture and storage project that only captures and stores carbon without exploring for, developing, or producing, oil or gas deposits those costs would not, under the current

production tax statutes, qualify as an allowable lease expenditure. Costs associated with enhanced oil recovery (EOR), including EOR using carbon, are currently and should remain an allowable lease expenditure.

As the committee evaluates creating a CCUS program in HB 50, we recommend the state's CCUS program be designed in a manner that does not impact currently allowable lease expenditures. If the committee believes clarifying language regarding allowable lease expenditures remains a necessary path forward for HB 50, AOGA stands by as an available resource.

Now I'd like to move to other provisions of HB 50 that were added in the Senate Resources Committee. AOGA acknowledges the anticipated shortfall of Cook Inlet natural gas to meet local demand in the years ahead.

The Cook Inlet Basin has been and will continue to be a critical source of oil, natural gas, and refined products for Alaskans. As policymakers consider energy solutions for the Railbelt, it is important to keep in mind there are known, substantial natural gas reserves remaining. However, economics and unique market conditions remain challenging in the Inlet.

For that reason, AOGA is supportive of policies that improve the economics and viability of Cook Inlet projects, while ensuring a stable and predictable business climate.

With that in mind, AOGA supports Sections 41-47 of the bill that relates to natural gas storage. Commercial gas storage facilities have an important role to play in the Railbelt's energy security. The current language in HB 50 ensures new participants have a clear understanding of the rules, economics and processes related to the gas storage business. Further, operators of commercial gas storage facilities must have confidence in the basic confidentiality of sensitive business records, or less legislation will not be successful in attracting new participants.

We support Section 44 as the current confidentiality language is consistent with current state statutes and is an absolute necessity for the desired investment in

gas storage and can be done without degrading regulatory transparency requirements.

We also support Section 46 clarifying that the Federal Energy Regulatory Commission (FERC) has regulatory jurisdiction over LNG import facilities, eliminating any potential for federal and state oversight conflict, therefore removing any unnecessary and unforeseen regulatory burden for the Regulatory Commission of Alaska (RCA).

AOGA also supports sections 53 and 54 related to reserve based, or asset based financing. Innovative funding options, such as developmental loans secured by the value of undeveloped known reserves, could be helpful in unlocking new developments and producing more natural gas. A state-backed asset-based lending program would allow loans to be made based on undeveloped oil and gas reserves, diminishing the need for restrictive and often unobtainable commercial financing.

I would be remiss if I did not mention another Cook Inlet incentive that has been evaluated this session that is not in the bill, and that is related to royalty relief. AOGA supports royalty relief as it will incentivize production and improve economics for some member companies.

Finally, Section 48 of the bill, imposes a new retroactive income tax on a limited number of firms in one sector of the economy. For independent companies in the Cook Inlet this will have the opposite effect of increasing investment. The vague and uncertain language of Section 48 has not been discussed or evaluated in any committee this session, either in this body or the other body. It introduces undefined terms and defers significant policy decisions to the regulatory process. And, as currently drafted appears to double tax entities already subject to corporate income tax.

AOGA strongly opposes targeting only one sector of the economy, particularly with the legislature's and administration's focus on incentivizing Cook Inlet gas production. Increasing taxes on the industry will not generate new investment and will accelerate the uncertainty of gas supply in the very near term,

compounding the challenges in providing stable, reliable, and affordable energy for Alaskans.

Thank you for the opportunity to provide testimony on behalf of the AOGA membership.

We urge the Legislature to adopt a meaningful CCUS structure, create policies to incentivize gas production in Cook Inlet, and reject policies like Sections 50 and 48, that harm Alaska's investment climate.

10:36:20 AM

Co-Chair Olson considered Section 40, which he thought was a concern shared by many producers on the North Slope. He asked whether AOGA could support the legislation if Section 40 remained in the legislation.

Ms. Moriarty relayed that AOGA was evaluating the matter. She said that the current language would affect current lease expenditures, which was cause for concern and had not been part of the original legislation.

Co-Chair Olson admitted that the committee had only just received the CS and had yet to fully digest the changes from the original legislation.

HB 50 was heard and HELD in Committee for further consideration.

Co-Chair Olson discussed housekeeping.

#

ADJOURNMENT

10:38:19 AM

The meeting was adjourned at 10:38 a.m.