

SB

192

<TARGET><BILL>SB 192</BILL><SUBJECT>SB
192</SUBJECT><COMM>SRES28</COMM></TARGET>

ALASKA STATE LEGISLATURE

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



State Capitol, Room 427
Juneau AK 99801-1182
907-465-4843
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Senate Resources Committee

Butrovich Room 205

Wednesday, April 8, 2014

8:00 a.m. - 9:30 a.m.

AGENDA

➤ **SB 192 Oil & Gas Production Tax Rate/Credit**

ALASKA STATE LEGISLATURE

SESSION

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SENATOR BERT K. STEDMAN

Sponsor Statement

SB 192 – Oil and Gas Production Tax Rate

Senate Bill 192 will amend deficiencies in Alaska's petroleum production tax. The current tax structure, created by the passage of Senate Bill 21, sets a base tax rate of 35% based on a net profit system which is calculated after deducting the cost of royalties, transportation, operating and capital expenses. The producers also receive a tax credit between \$1 and \$8 paid for each barrel of oil produced. The per barrel tax credit is not contingent on any performance measures. The producers are not required to do anything to receive this credit except pump oil from their existing wells. There is no requirement for expansion, exploration, increased production or capital investment in Alaska. The state is obligated to pay this credit to the producers on a sliding scale which increases as the price of oil decreases. For example, if the price of oil is between \$140 - \$150, the producers receive a tax credit of \$1 per barrel. But if the price of oil falls to under \$80, the producers receive a tax credit of \$8 per barrel.

In FY15, the impact to the state treasury as a result of this per barrel tax credit is estimated to be almost one billion dollars. Senate Bill 192 would reduce that per barrel credit by half so it would start at 50 cents per barrel at high oil prices and cap out at \$4 per barrel at low oil prices. This would return almost a half a billion dollars to the state treasury in FY15. Under the current tax regime, the compensation for the value of Alaska's hydrocarbons is too low compared to similar world class hydrocarbon basins around the world.

Senate Bill 192 would also raise the minimum production tax from 4% of the gross value at the point of production to 15%. As the price of oil goes down and the credits go up, we need a higher minimum tax to protect the state's share of its resource wealth from our legacy fields on the North Slope.

Senate Bill 192 would establish a more reasonable, balanced and sustainable petroleum production tax for Alaskans. I encourage you to join me in support of this proposal.

District Q

Ketchikan • Sitka • Wrangell • Haines • Metlakatla • Craig
Klawock • Hoonah • Kake • Thorne Bay • Angoon • Saxman • Hydaburg • Coffman Cove • Naukati • Hollis
Klukwan • Hyder • Pelican • Kasaan • Port Alexander • Port Protection • Edna Bay • Whale Pass • Elfin Cove • Point Baker • Meyers Chuck

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 192
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB192-DOR-TAX-04-08-14
Title: OIL & GAS PRODUCTION TAX RATE/CREDIT
Sponsor: STEDMAN
Requester: S RES

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

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

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
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	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(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?

Why this fiscal note differs from previous version:

Initial version.

Prepared By: <u>Matt Fonder, Director</u>	Phone: (907)269-6628
Division: <u>Tax</u>	Date: 04/08/2014 01:00 PM
Approved By: <u>Angela M. Rodell, Commissioner</u>	Date: 04/08/14
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB 192

Analysis

Bill Language:

This bill would amend certain DOR statutes relating to oil and gas production taxes, and would raise the minimum tax on North Slope oil and gas from 4% of gross value at the point of production (GVPP) to 15% of the GVPP, when ANS prices are more than \$25/barrel.

The bill also reduces the sliding scale credit included in AS 43.55.024(j), cutting it in half.

Revenues:

The revenue impacts of this bill are indeterminate.

Based on DOR's current forecast, raising the minimum tax to 15% of GVPP when ANS prices are more than \$25/barrel, would not have an effect on state revenues.

The department's analysis indicates that at current forecast levels, the sliding scale credit portion of this bill, would increase state revenues by \$250-\$500 million each year.

Expenditures:

The department can implement the provisions of this bill with existing resources.

Regulations:

N/A

SB 192

**Prepared for Senate Resources Committee
Juneau, Alaska > April 9, 2014**

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Nikos Tsafos, Partner > nikos.tsafos@analytica.info

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JANAK MAYER
PARTNER

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Before co-founding *enalytica*, Janak led the Upstream Analytics team at PFC Energy, focusing on fiscal terms analysis and project economic and financial evaluation, data management and data visualization.

Janak has modeled upstream fiscal terms in all of the world's major hydrocarbon regions, and has built economic and financial models to value prospective acquisition targets and develop strategic portfolio options for a wide range of international and national oil company clients. He has advised Alaska State Legislature for multiple years on reform of oil and gas taxation, providing many hours of expert testimony to Alaska's Senate and House Finance and Resources Committees.

Prior to his work as an energy consultant, Janak advised major minerals industry clients on a range of controversial environmental and social risk issues, from uranium mining through to human rights and climate change. He has advised bankers at Citigroup and policy-makers at the US Treasury Department on the management and mitigation of environmental and social impacts in major projects around the world, and has undertaken macroeconomic research with senior development economists at the World Bank and the Peterson Institute for International Economics.

Janak holds an MA with distinction in international relations and economics from from the Johns Hopkins School of Advanced International Studies (SAIS), and a BA with first-class honors from the University of Adelaide, Australia.



NIKOS TSAFOS
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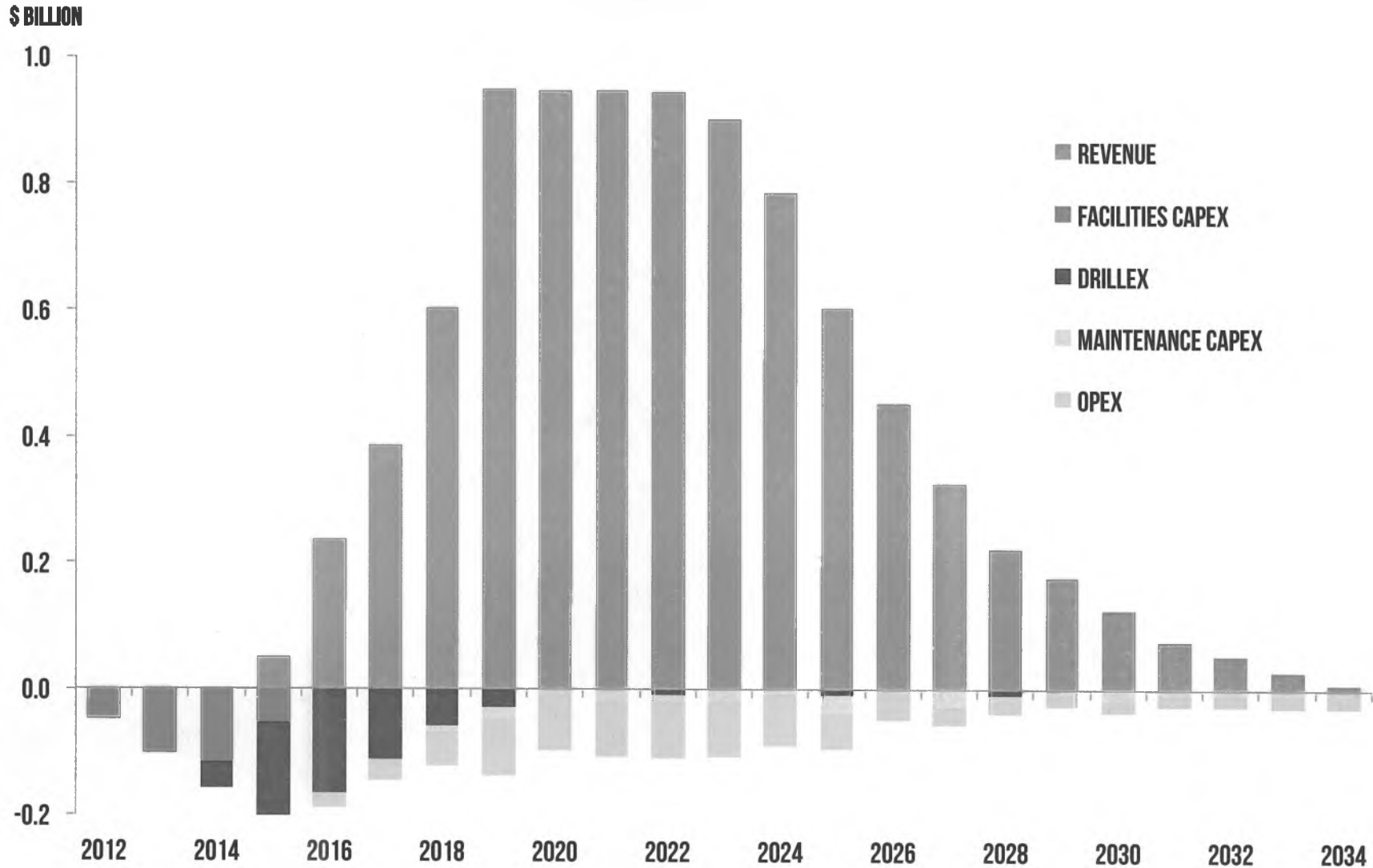
Nikos Tsafos has a diverse background in the private, public and non-profit sectors. He is currently a founding partner at *enalytica*. In his 7 ½ years with PFC Energy, Nikos advised the world's largest oil and gas companies on some of their most complex and challenging projects; he also played a pivotal role in turning the firm into one of the top natural gas consultancies in the world, with responsibilities that included product design, business development, consulting oversight and research direction.

Prior to PFC Energy, Nikos was at the Center for Strategic and International Studies (CSIS) in Washington, DC where he covered political, economic, and military issues in the Gulf, focused on oil wealth, regime stability and foreign affairs. Before CSIS, he was in the Greek Air Force, and prior to his military service, Nikos worked on channeling investment from Greek ship-owners to Chinese shipyards.

Nikos has also written extensively on the domestic and international dimensions of the Greek debt crisis. His blog (Greek Default Watch) was listed as one of "Europe's Top Economic Blogs" by the Social Europe Journal, and his book "Beyond Debt: The Greek Crisis in Context" was published in March 2013.

Nikos holds a BA with distinction in international relations and economics from Boston University and an MA with distinction in international relations from the Johns Hopkins School of Advanced International Studies (SAIS).

TYPICAL PROJECT CASHFLOWS

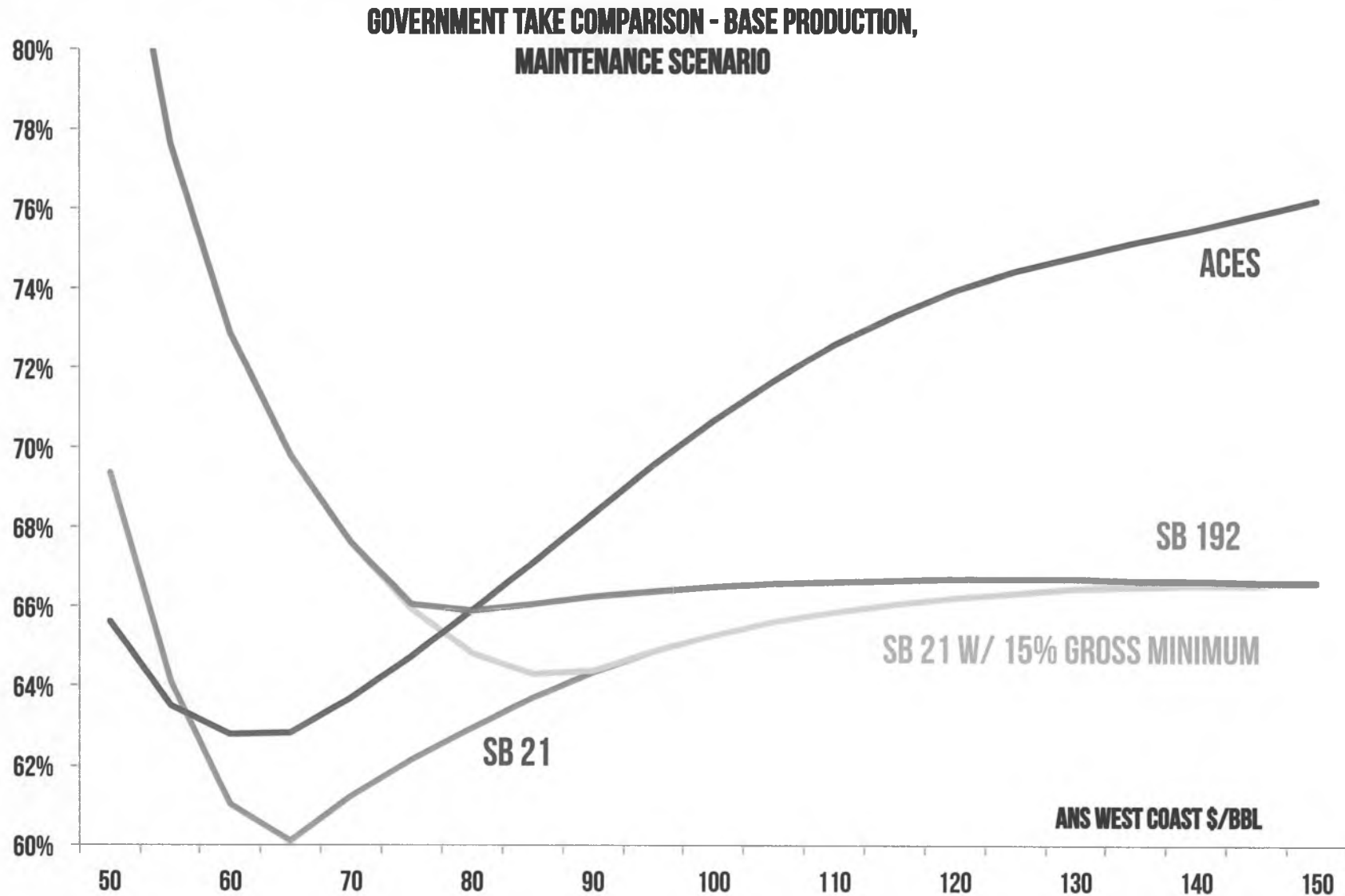


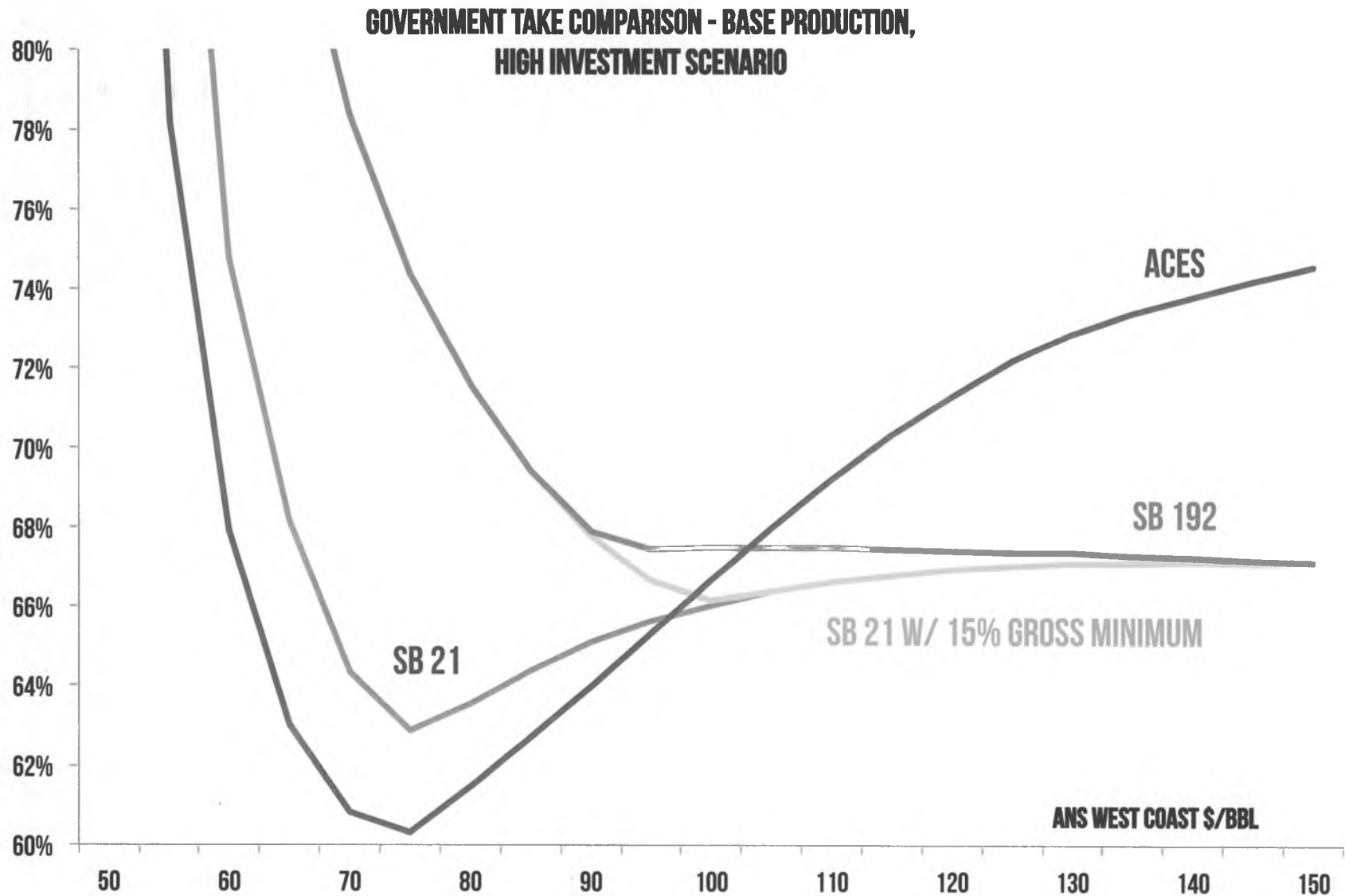
**TAX ON A SINGLE BARREL OF PRODUCTION: SB21, ACES AND 11.5% GROSS TAX,
RSB 2015 FORECAST ASSUMPTIONS**

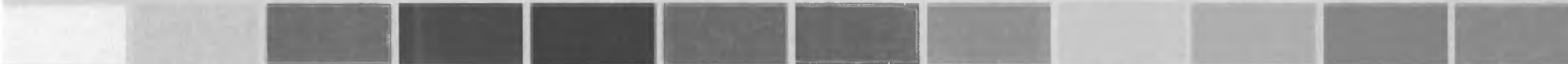
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ESTIMATED CREDITS (PRODUCERS W/ LIABILITY)	\$6.05	\$5.62	
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**TAX ON A SINGLE BARREL OF PRODUCTION: SB21, ACES AND 11.5% GROSS TAX,
RSB 2015 FORECAST ASSUMPTIONS BUT ONLY \$15/BBL CAPEX**

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SB 192 – Oil and Gas Production Tax Rate/Credit

Sponsored by Senator Bert Stedman

Senate Resources

April 9, 2014

Make Alaska Competitive

Repeal the



History of Alaska's Oil Tax Regimes

- Economic Limit Factor “ELF” (1977-2006)
- Petroleum Production Tax “PPT” (2006-2007)
- Alaska's Clear and Equitable Share “ACES”
(2007-2014)
- Senate Bill 21 (2014-Present)

ELF (1977-2006)

- Severance tax rate of 15%
- Multiplied by a fraction between 0 and 1
- If the ELF was 0.5, the effective tax rate would be 7.5%

Problems with ELF

- Natural field decline reduced the tax rate regardless of price
- In 2007, Kuparuk's economic limit factor was .065
 - $15 \times .065 = 0.98\%$
 - The severance tax for North America's second largest oil basin was less than one percent
- 15 of the 19 operating fields paid 0% tax rate

PPT (2006-2007)

- Base tax rate is 22.5% of net value after deducting costs
- Introduced progressivity element when net value per barrel > \$40/bbl
 - $(\text{Net value per barrel} - \$40) \times .0025$
- So if oil price is \$100 per barrel:
 - Net value per barrel is about \$70
 - Progressivity is $(\$70 - \$40) \times .0025 = 7.5\%$
 - Total tax rate is $22.5\% + 7.5\% = 30\%$
 - Tax is $30\% \times \$70 = \21 per barrel

Problems with PPT

- Deductible costs were higher than expected
- Revenues were less than expected
- Tainted by VECO corruption scandal

ACES (2007-2014)

- Base tax rate is 25% of net value after deducting costs
- Progressivity element when net value per barrel > \$30/bbl
 - $(\text{Net value per barrel} - \$30) \times .004$
- So if oil price is \$100 per barrel:
 - Net value per barrel is about \$70
 - Progressivity is $(\$70 - \$30) \times .004 = 16\%$
 - Total tax rate is $25\% + 16\% = 41\%$
 - Production tax is $41\% \times \$70 = \28.70 per barrel

Problems with ACES

- Progressivity rate was too high resulting in an unfair split of profit oil between producers and the state
- Excessive credits driving adverse economic behavior
- Complexity

Credits under ACES

- Capital credit - 20%
- Well lease expenditure credit (excluding North Slope) - 40%
- Exploration credit - 20% - 40% depending on location
- Small producer credit - \$12 million if sufficient offsetting income
- Loss carry-forward credit - 25% of annual loss

Senate Bill 21 (2014-Present)

- Base tax rate is 35% of net value after deducting costs
- Per barrel tax credit between \$1 - \$8 based on Alaska North Slope (ANS) wellhead value
- 20% - 30% Gross Revenue Exclusion for new production
- Monetization of net operating losses – 45% through 2015 and 35% thereafter
- Minimum tax is 4% of gross value at point of production
- \$12 million small producer tax credit

Problems with SB 21

- Per barrel tax credits are too high and not contingent on any performance measures
 - In FY15, the per barrel tax credits will cost the state almost one billion dollars
- 4% minimum tax is too low
 - The state's risk exposure increases as oil prices drop
- Regressive tax structure without the per barrel tax credit
- **Bottom Line: Alaskan's share of hydrocarbon value from the legacy fields is too low**

Senate Bill 192

- SB 192 cuts the per barrel credits in half
 - Almost half a billion dollars in revenue per year
- Raises the minimum tax from 4% to 15% of gross value at point of production
 - As oil prices go down and credits go up, a higher minimum tax is needed to protect the state's share of its resource wealth from legacy fields
 - No revenue impact at current oil price

Per Barrel Credits

<u>ANS wellhead value</u>	<u>SB 21</u>	<u>SB 192</u>
\$140 - \$150	\$1	\$.50
\$130 - \$140	\$2	\$1
\$120 - \$130	\$3	\$1.50
\$110 - \$120	\$4	\$2
\$100 - \$110	\$5	\$2.50
\$90 - \$100	\$6	\$3
\$80 - \$90	\$7	\$3.50
Less than \$80	\$8	\$4

Government Take

- In 2012, Dr. Pedro van Meurs advised the legislature that a 70% – 75% government take for existing production in legacy fields is reasonable compared to similar jurisdictions
- Under SB 21, government take is too low in the legacy fields and unstable

Count the Cash

FY15 Forecast			
ANS West Coast Price \$105.06	Daily Barrels	Annual Barrels	Annual \$
Barrels of Oil Produced (North Slope)	498,400	181,916,000	\$ 19,112,094,960
Gross Value (West Coast Price * Production)	\$ 19,112,094,960		
Less: Net Royalty Value	\$ (2,448,411,218)		
Equals: Gross Revenue (West Coast Price less Royalties)	\$ 16,663,683,742		
Less: Total Downstream Costs (Transportation)	\$ (1,590,869,483)		
Equals: ANS Wellhead Value (Gross Value at Point of Production)	\$ 15,072,814,259		
Less: Upstream Costs (Opex)	\$ (2,525,723,000)		
Less: Upstream Costs (Capex)	\$ (4,453,400,000)		
Less: Property Tax	\$ (314,577,000)		
Equals: Production Tax Value	\$ 7,779,114,259		
		Effective Tax Rate	
Less: 35% Base Tax & Gross Revenue Exclusion	\$ (2,658,845,331)	34.2%	
Per Barrel Tax Credit	\$ 953,233,419	-12.3%	
Net Base Tax less Per Barrel Credit	\$ (1,705,611,912)	21.9%	
Less: Loss Carry Forward Credit	\$ 222,000,000		

North Dakota

- State of North Dakota take is 11.5% on gross + private royalty owner take is ± 20% on gross = 31.5% gross tax rate
- What if Alaska had the same tax and royalty regime as North Dakota?

Alaska (SB 21) vs. North Dakota

FY15 Forecast			
ANS West Coast Oil Price \$105.06	Alaska		North Dakota
Royalties	\$	2,319,900,000	\$ 3,822,418,992
Base Tax	\$	2,658,845,331	\$ 2,197,890,920
Per Barrel Credit	\$	(953,233,419)	-
Other Credits	\$	(222,000,000)	-
Property Tax	\$	314,577,000	-
Income Tax	\$	446,971,607	-
Total	\$	4,565,060,518	\$ 6,020,309,912
A difference of	\$	(1,455,249,394)	

Alaska (ACES) vs. North Dakota

FY13 Historic		
ANS West Coast Oil Price \$107.57	Alaska	North Dakota
Royalties	\$ 2,741,084,670	\$ 4,174,447,476
Base Tax	\$ 2,782,853,629	\$ 2,400,307,299
Progressivity	\$ 1,805,764,038	-
Credits	\$ (830,000,000)	-
Property Tax	\$ 314,577,000	-
Income Tax	\$ 523,468,576	-
Total	\$ 7,337,747,913	\$ 6,574,754,775
A difference of	\$ 762,993,138	

Alaska is Different

- Alaska is an owner state, the mineral rights are owned collectively by the people
- The oil belongs to every Alaskan and the production tax is nothing more than the selling price of our oil

Value of Legacy Fields

- Not necessary to reduce the tax in the legacy fields of Prudhoe and Kuparuk where production is already economic
- Net present value and internal rate of return surpass the industries hurdle rate and are extremely profitable
- There are approximately 7 billion barrels of proven reserves that are “**technically, economically and legally deliverable**” in the legacy fields*
- An approximate value of \$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

*2011 State Superior Court ruling in BP Pipelines, et al. v. State et al. as upheld by 2014 State Supreme Court ruling

Make Alaska Competitive with North Dakota

- Repeal the going out of business sale



MODELING GOVERNMENT TAKE UNDER SB 192

MARCH 2014

Contents

- 1 Single-year snapshots vs. lifecycle economic analysis
- 3 Modeling the impact of SB 192
- 6 About us

SINGLE-YEAR SNAPSHOTS VS. LIFECYCLE ECONOMIC ANALYSIS

Oil and gas fiscal systems should be judged by their performance over time, not by their returns to the state in any one year. Single-year snapshots can easily create an incomplete or even distorted picture, especially when they cover assets in different stages of development and production.

The recent discussions about the Department of Revenue's (DOR) Fall 2013 Revenue Sources Book (RSB) forecast for 2015 underscore the limitations of a single-year approach. The table below reproduces Table E-1c of DOR's RSB for a single barrel of production in FY 2015 not only under SB21 but also under Alaska's former system (Alaska's Clear and Equitable Share or ACES) as well as under an 11.5% gross production tax (the system that applies in North Dakota).

TAX ON A SINGLE BARREL OF PRODUCTION: SB21, ACES AND 11.5% GROSS TAX, RSB 2015 FORECAST ASSUMPTIONS

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In this snapshot, and based on the 2015 forecast figures for the North Slope, we see surprising results: SB21, ACES and the 11.5% gross tax return similar levels of production tax revenue, with SB21 being the highest taxing system, followed shortly by the 11.5% gross tax, and ACES being the lowest.

In a profit-based tax system, revenues depend critically on investment / spending levels

If, however, we reproduce this table but assume lower capital spending (\$15/bbl vs. \$28.08/bbl in the previous table), we see very different results: ACES is by far the highest-taxing regime, with almost double the tax burden of the 11.5% gross tax. SB 21 is half-way in-between.

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Impact of new investment at a time of low production. This comparison illustrates the basic difference between a profit-based production tax and a gross production tax—taxes on profits fall when spending is high. Forecast spending in 2015 is indeed high, likely due to significant new development spending at projects including Alpine satellite CD5 and at Point Thomson, and substantial new drilling and capital programs at Prudhoe Bay and Kuparak. Therefore, the forecast of over \$28/bbl in capital spending includes costs of future development not just the cost to maintain existing production.

Under Alaska's profit-based production tax (and most comparable regimes in the world), spending is immediately deductible against a producer's taxes. As such, the investment needed to turn around declining production will squeeze state finances in the intervening years before new production is on-line. This is the reason by SB21 and ACES yield similar revenues as the 11.5% gross tax system in 2015—it is the high spending that matters.

Spending under ACES vs. SB 21. ACES and SB21 yield lower revenues when spending is high, but ACES magnified the impact of capital spending on tax revenues in two ways. This is because not only the tax base but also the tax rate itself was set on a progressive scale based on the value of the barrel after costs were deducted—and so the higher the spending, the lower the tax rate. Secondly, by offering an additional 20% credit on capital spending, the system amplified the budgetary impact of high spending in any given year.

As such, from the state's perspective, ACES was a 'bet' on high prices and low re-investment—and when these conditions were true, ACES provided much additional revenue to the state. But when investment rises, the very high level of government

SB 21 moderates the impact of higher spending on revenues by eliminating progressivity and the 20% capital credit on spending

support for spending that ACES provided, delivers low revenues to the state. Even more re-investment in additional North Slope production would further exacerbate this effect.

SB 21 reduced the impact of capital spending in three key ways: (a) it eliminated progressivity; (b) it eliminated the capital credit; and (c) it made the 4% gross minimum tax that applied under ACES firmly binding (previously capital credits had enabled a producer to reduce their tax liability below the gross minimum). It is for these reasons that SB 21 will likely generate slightly higher revenues in 2015, based on current DOR forecasts, than ACES would have.

SB 21 still maintained a mildly progressive system overall through a sliding-scale, production-based tax credit worth \$8/bbl for production from mature fields at oil prices (net of transportation costs) below \$90, falling to zero at prices above \$160.

Fiscal competitiveness and lifecycle analysis. Such snapshots can tell us roughly what revenues the treasury can expect in a given year in a range of possible circumstances. They cannot, however, tell us much about the competitiveness of a fiscal regime as viewed by companies investing in new developments. This is because companies do not view the economics of a new investment based on what their entire tax liability may be in a single year; they look at the economics of a particular asset over its entire projected life, seeking to understand both the pre- and post-tax attractiveness of an investment against a range of criteria. It is for this reason that all competitiveness analysis performed in previous years by consultants to both the legislature (PFC Energy) and the administration (Econ One) examined fiscal system impacts on the lifecycle economics of an asset, whether that asset be the declining base production portfolio of an existing producer, or the economics of investment in a new project. Analysis that follows will also all be done on a lifecycle basis.

MODELING THE IMPACT OF SB 192

SB 192 proposes to further reduce the progressive nature of the production tax in two ways:

- It halves the production-based tax credit from a sliding scale of \$8 to \$0 (for prices of \$90 to \$160/bbl, net of transport costs) to \$4 to \$0 (for the same price range).
- It raises the minimum gross tax rate from 4% to 15%

Importantly, these changes only impact 'old' oil. This is because:

- The sliding-scale credit only applies to 'old' oil (per SB 21), and the fixed \$5/bbl credit applying to 'new oil' is not altered.
- The gross minimum is only binding on 'old' oil, because only for 'old' oil is there a hard floor (enacted in SB 21), where credits cannot take the total tax owed below the gross minimum. For 'new' oil, credits can still be applied to further reduce a taxpayer's liability.

Single-year snapshots are useful but limited—to fully judge a fiscal system, it is important to model results on a lifecycle basis

SB 192 would modify SB 21 in two critical ways

We have modeled results under two investment scenarios and across all prices from \$50/bbl to \$150/bbl

SB 192 is less progressive than SB 21 and delivers a higher government take under any price below \$150/bbl

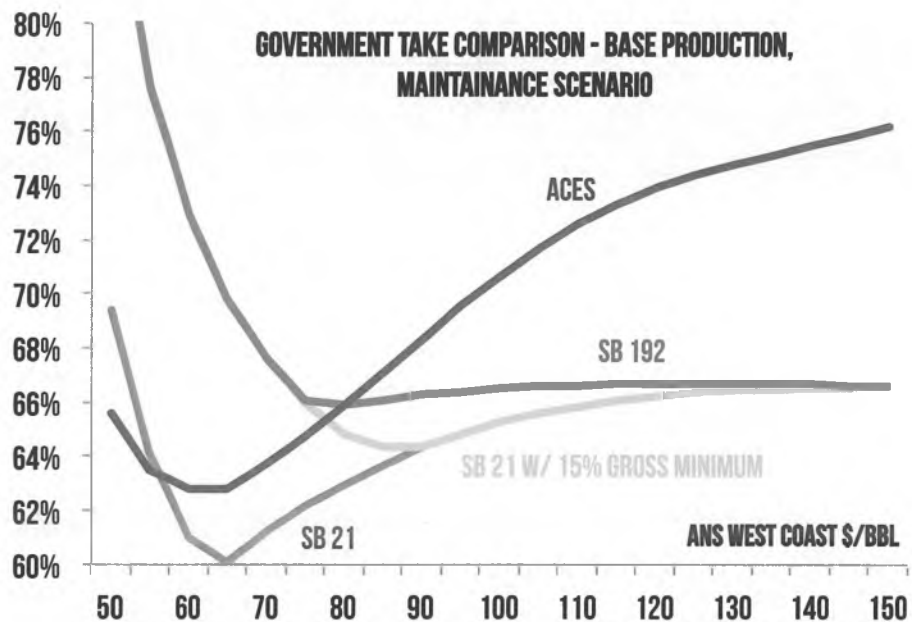
Two scenarios. To quantify the effect of the proposed changes in SB 192 across a range of capital spending possibilities, we have modeled government take across a price range of \$50 to \$150/bbl under two investment scenarios: base decline maintenance, and high reinvestment.

The **maintenance** scenario assumes capex and opex levels that are required to continue the historical decline curve in the mature fields, without adding significant new production (similar to the assumptions used by both PFC Energy and Econ One in analysis of base production for the 2013 legislative session).

The **high reinvestment** scenario doubles capital spending compared to base decline maintenance.

Maintenance scenario. The chart below shows government take under SB 21, SB 192 and ACES. In order to disaggregate the sliding scale from the 15% gross minimum tax effects of SB 192, we have also shown an SB 21 with a 15% gross minimum tax (rather than 4%). The analysis yields several insights.

First, SB 192 yields a government take that is either higher or equal to SB 21 no matter than the oil price—and the two converge when prices reach \$150/bbl. Both entail a lower government take than ACES above a certain crossover point: \$60/bbl for SB 21 and \$75/bbl for SB 192.



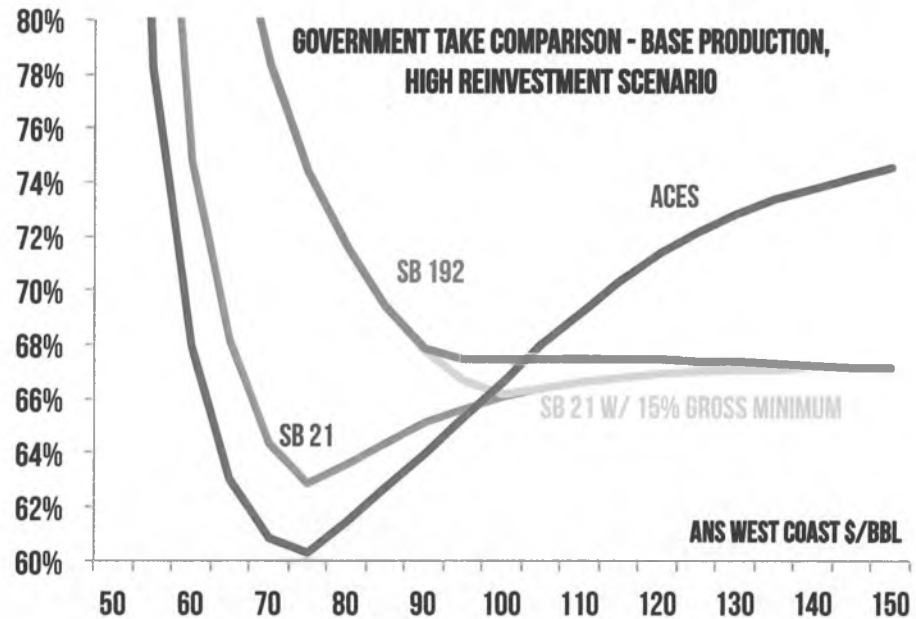
Second, the gross minimum tax aspect of SB 192 impacts government take more than than the sliding scale—which is why the yellow SB 21 + 15 gross minimum tax curve is much closer to the red SB 192 curve than it is to the green SB 21 curve.

Third, the reduced sliding-scale production credit in SB 192 eliminates the progressive aspect of SB 21, replacing it with near flat 67% government take from high oil prices all the way down to the point where the gross minimum tax binds.

Higher investment pushes out the cross-over point to higher price levels

High reinvestment scenario. The biggest impact of higher capital spending is to increase the price levels at which SB 21 or SB 192 represent a tax increase over ACES: the cross-over points rise from \$60 to \$95/bbl for SB 21, and from \$75 to \$105/bbl for SB 192.

The impact of the 15% gross minimum also becomes more pronounced in this scenario; the tax increase between \$70/bbl and \$90/bbl, where much of the analysis of oil companies is concentrated, becomes very significant indeed.



CONCLUSIONS

Through changes to the gross minimum tax and the sliding-scale production credit, SB 192 would shift Alaska's profit-based production tax to a more regressive orientation. Doing so increases price risk to producers, reducing the likelihood that more expensive projects will be sanctioned. It also represents a substantial tax increase over ACES at lower oil prices.

Both regressive and progressive fiscal systems can be attractive to producers because each offers a different risk-reward balance. Regressive systems place most price and cost risk on producers, but offer more upside. Progressive systems reduce producer upside, but compensate for this by mitigating downside risks. Combining a high, regressive gross minimum with a neutral-to-progressive profit-based tax, however, in many ways offers the least attractive features of both from a producer's perspective. Price and cost risk is shifted firmly onto the producer, but most upside remains captured by the state. Such a move would certainly protect the state well, but it does so at the expense of its relative competitiveness and ability to attract capital.

ABOUT US



Janak Mayer. Before co-founding analytica, Janak led the Upstream Analytics team at PFC Energy, focusing on fiscal terms analysis and project economic and financial evaluation, data management and data visualization.

Janak has modeled upstream fiscal terms in all of the world's major hydrocarbon regions, and has built economic and financial models to value prospective acquisition targets and develop strategic portfolio options for a wide range of international and national oil company clients. He has advised Alaska State Legislature for multiple years on reform of oil and gas taxation, providing many hours of expert testimony to Alaska's Senate and House Finance and Resources Committees.

Prior to his work as an energy consultant, Janak advised major minerals industry clients on a range of controversial environmental and social risk issues, from uranium mining through to human rights and climate change. He has advised bankers at Citigroup and policy-makers at the US Treasury Department on the management and mitigation of environmental and social impacts in major projects around the world, and has undertaken macroeconomic research with senior development economists at the World Bank and the Peterson Institute for International Economics.

Janak holds a BA with first-class honors from the University of Adelaide, Australia and an MA with distinction in international relations and economics from the Johns Hopkins School of Advanced International Studies (SAIS).



Nikos Tsafos. Nikos Tsafos has a diverse background in the private, public and non-profit sectors. He is currently a founding partner at analytica. He previously spent 7 ½ years at PFC Energy, where he advised the world's largest oil and gas companies on some of their most complex and challenging projects; he also played a pivotal role in turning the firm into one of the top natural gas consultancies in the world, with responsibilities that included product design, business development, consulting oversight and research direction.

Prior to PFC Energy, Nikos was at the Center for Strategic and International Studies (CSIS) in Washington, DC where he covered political, economic, and military issues in the Gulf, focused on oil wealth, regime stability and foreign affairs. Before CSIS, he was in the Greek Air Force, and prior to his military service, Nikos worked on channeling investment from Greek ship-owners to Chinese shipyards.

Nikos has also written extensively on the domestic and international dimensions of the Greek debt crisis. His blog (Greek Default Watch) was listed as one of "Europe's Top Economic Blogs" by the Social Europe Journal, and his book "Beyond Debt: The Greek Crisis in Context" was published in March 2013.

Nikos holds a BA with distinction in international relations and economics from Boston University and an MA with distinction in international relations from the Johns Hopkins School of Advanced International Studies (SAIS).

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SENATOR BERT K. STEDMAN

MEMORANDUM

TO: Senator Cathy Giessel, Chair
Senate Resources Committee

FROM: Senator Bert K. Stedman 

DATE: March 10, 2014

SUBJECT: Hearing request for SB 192

I respectfully request a hearing before the Senate Resources Committee on Senate Bill 192, oil and gas production tax rate/credit, at your convenience.

Attached to this memorandum, you will find:

- Sponsor Statement; and
- SB 192 version 28-LS1480\A

Please don't hesitate to contact me or my staff, Darwin Peterson, at 465-3873.

District Q

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