

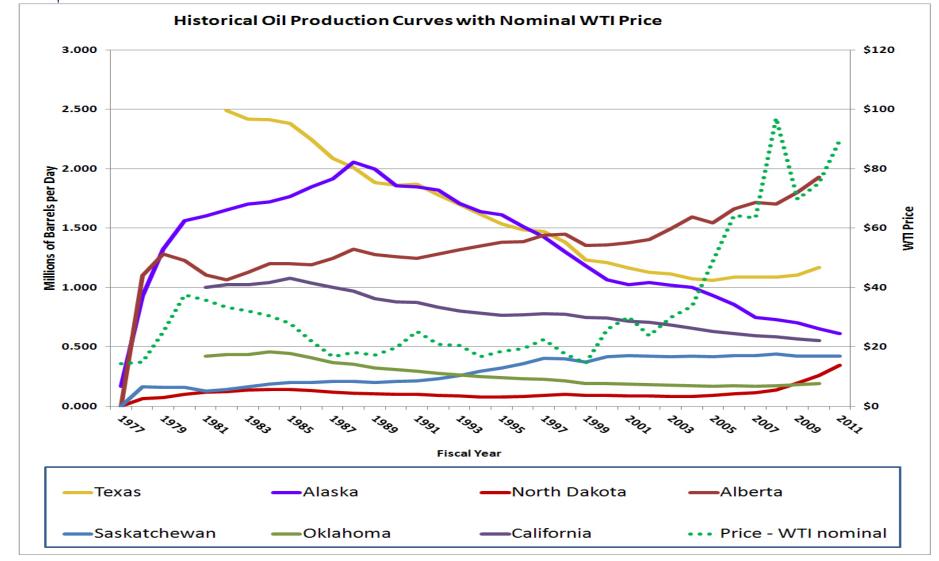
Presentation to "Meet Alaska" Friday, January 6, 2012 Alaska Department of Revenue



#### **Historical Oil Production:**

#### How Did Our Competition Fare When Prices Spiked?







#### **Actual Information....**



- 1. Oil Prices began climb to all-time highs starting mid-2000's
- 2. TAPS throughput continues steady decline
- 3. Other oil producing regions enjoy production and employment booms
- 4. Competition is high many other areas to invest around the world



#### More <u>Actual</u> Information....



- 1. As a State, we are in a position we've never been in before
- 2. PPT/ACES Debate: "Actual" information utilized? Unfortunately No.....was not available
- 3. Decision makers, through no fault of their own, had to rely on modeling, forecasts, projections, theoretical assumptions
- 4. We now have the luxury to look back and see what actually happened over the past 5 years
- 5. What do we see? Record high oil prices lead to oil & employment booms in competing oil producing regions
- 6. And Alaska continues to decline.......



## According to the USGS, It's Certainly Not A Resource Issue.....



- There's no debating.....Alaska is a world-class energy basin with more oil than any other Arctic nation
- Cumulative production through 2010 over 16B barrels
- Oil: Estimated to have 40B barrels of conventional oil
- Gas: Estimated to have 236 TCF of conventional natural gas
- Plus tens of billions of heavy & viscous oil as well as shale oil & gas



### Two Distinct Elements of ACES: Can't discuss one without the other



#### 1. Tax Credits:

- ☐ Very generous tax credits made available over past several years help spur the anticipated exploration
- Enthusiasm of explorers encouraging but they will eventually need to become or partner with producer

### 2. Production Tax:

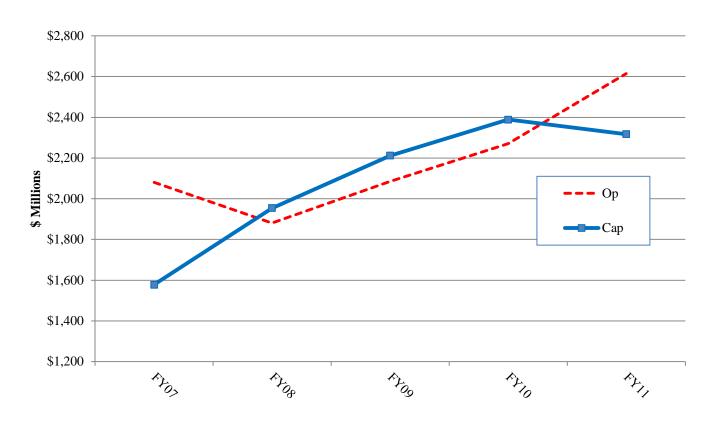
- ☐ Very progressive at high oil prices which makes AK not as attractive when compared to other world-wide options
- ☐ This "windfall tax", while filling AK state coffers during the short term, is contributing to competitiveness issue long term



### What Drove The Spending?



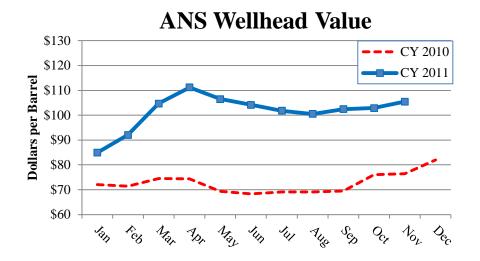
#### **Historical Opex/Capex**



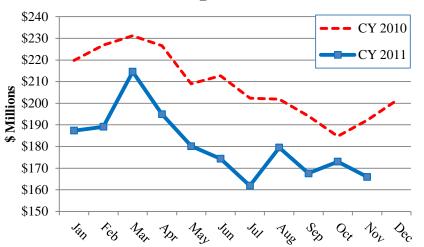


#### Oil Price & Spending: Why the Disconnect?

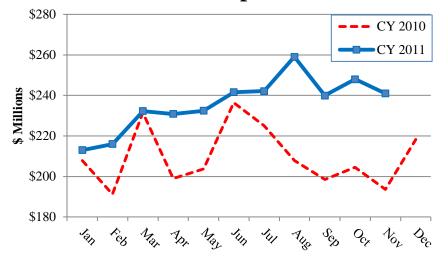




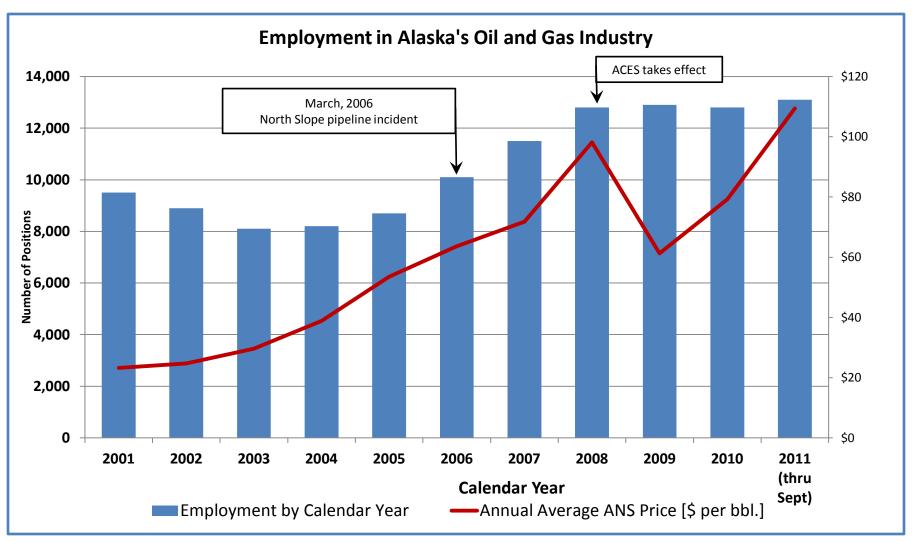




#### **North Slope OPEX**



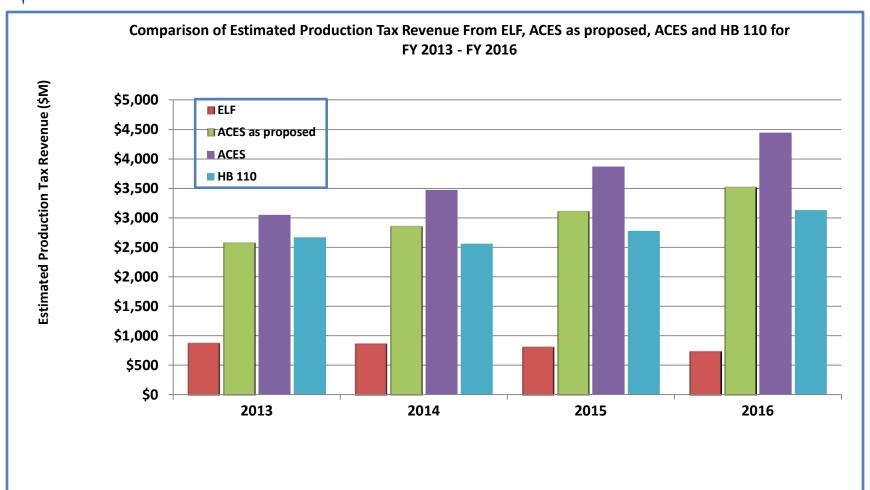
# The Real Jobs Debate? Why are Jobs <u>flat</u> during record oil prices?





# HB 110 compared to ELF & ACES: Did The Pendulum Swing Too Far?





Based on Fall 2010 Revenue Forecast assumptions. This analysis **does not include** any incremental production as a result of bill passage.



#### What To Expect This Session?



- There seems to be a growing sentiment that a change to progressivity is needed
- Hopefully we can begin the discussion on Day One
- We need a game changer! "Tweaks" will not make us more competitive





### Thank You!

Bruce Tangeman

**Deputy Commissioner** 

Department of Revenue

State of Alaska