

# Kenai Alliance Chapter

Kara Moriarty,  
AOGA President/CEO  
September 15, 2017



**AOGA**

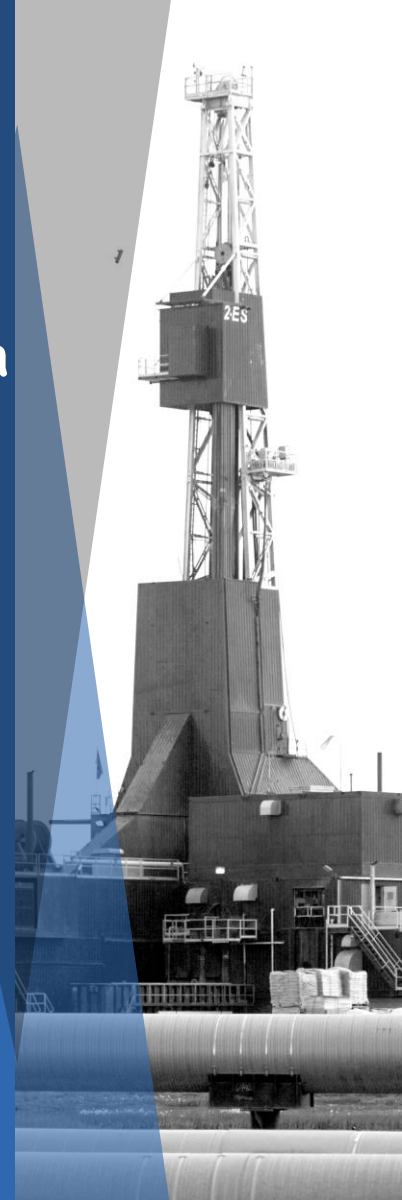
**40** YEARS at  
PRUDHOE  
BAY

# WHAT IS AOGA?

- Professional trade group for oil and gas in Alaska
- Non-partisan
- Mission: Advocate for industry with one voice

# AOGA

*Alaska Oil and Gas Association*



# AOGA member companies



# Where are we today?

- Oil production is ~550,000 barrels/day
- 60-75% of Alaska's general fund (i.e. spending money) still comes from four different oil revenue sources
- Oil still largest tax payer in the State
- Vast amounts of oil left on the North Slope
- Remaining oil is challenging and expensive to produce
- Uncertainty about the future

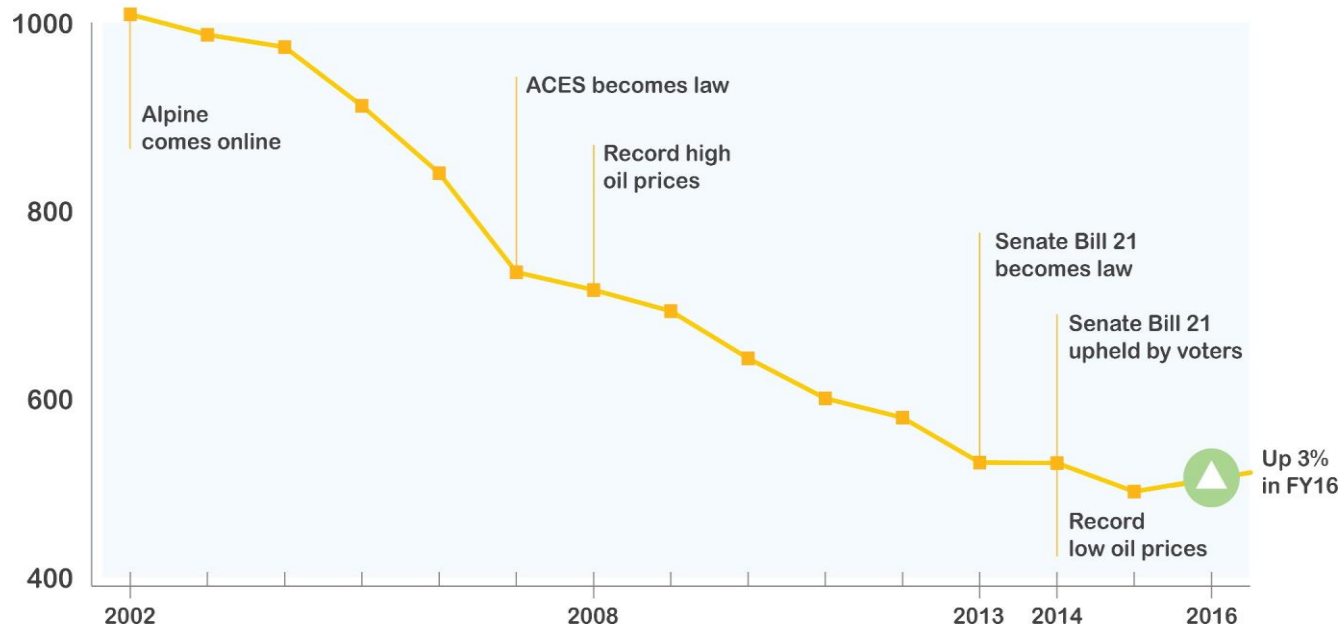


# Good news: North Slope Oil production is up

## Alaska Oil Production

2002 - 2016

(Average in Thousands of Barrels per Day)



YTD ~558,000 barrels per day –

First Quarter 2017 = Highest Quarter since 1<sup>st</sup> Quarter 2013

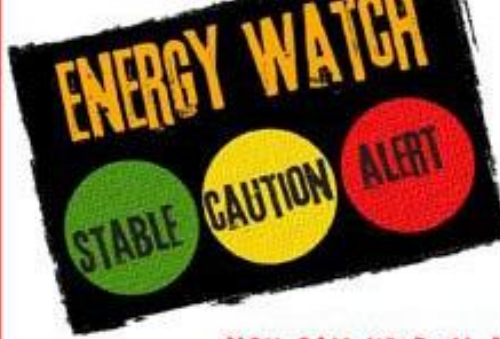
# Good news: Prudhoe Bay production up in 2016

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Reduced decline from an annual average of 4-6% to less than 1%



# Cook Inlet: Bust to Boom



Organizations throughout the Railbelt are making plans to deal with a potential natural gas shortfall this winter. While it's not considered likely, all agree that it is important to be prepared. Nobody wants to be caught unprepared on a cold, dark winter evening. That's why the electric utilities in the Railbelt, ENSTAR, the Municipality of Anchorage, and the Kenai Peninsula and Mat-Su boroughs have been working together on a collective approach to the situation.

## YOU CAN HELP IN A NATURAL GAS EMERGENCY. HERE'S HOW.

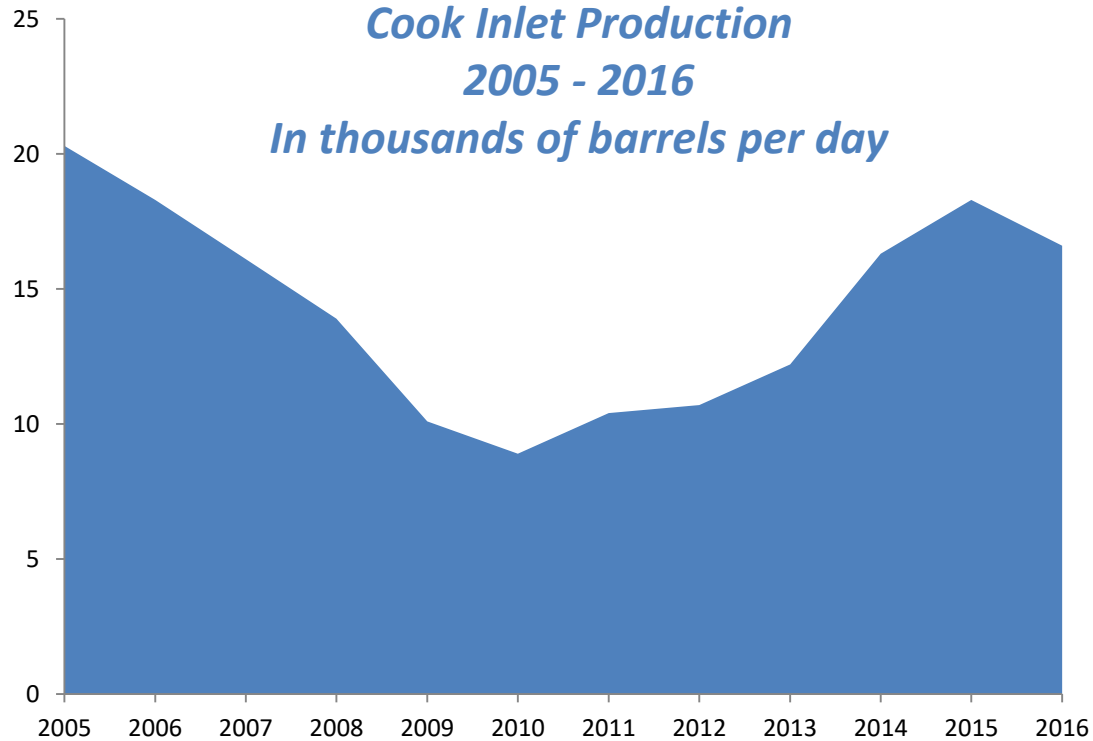
If a gas delivery problem develops, emergency managers might issue an alert using this Energy Watch chart.

Energy Disruption Customer Action Plan		
CONDITION	MEANING	CUSTOMER ACTION
Green	Stable	Use energy wisely; be conservation minded Your utilities can provide tips on saving energy
Yellow	Caution	Set thermostat to 65 degrees in living areas, and 40 in the garage Lower water heater setting to "warm" or "vacation" Minimize usage of natural gas range Postpone doing laundry and dishes Turn off unnecessary lights and electronics
Red	Alert	Set thermostat at 60 degrees in living areas (55 if away) Turn water heater gas valve to "pilot" Do not use natural gas fireplaces, decorative heaters or gas grills Consolidate household activities into as few rooms as possible

**EVERY LITTLE BIT COUNTS.  
TOGETHER WE CAN MAKE A DIFFERENCE.**



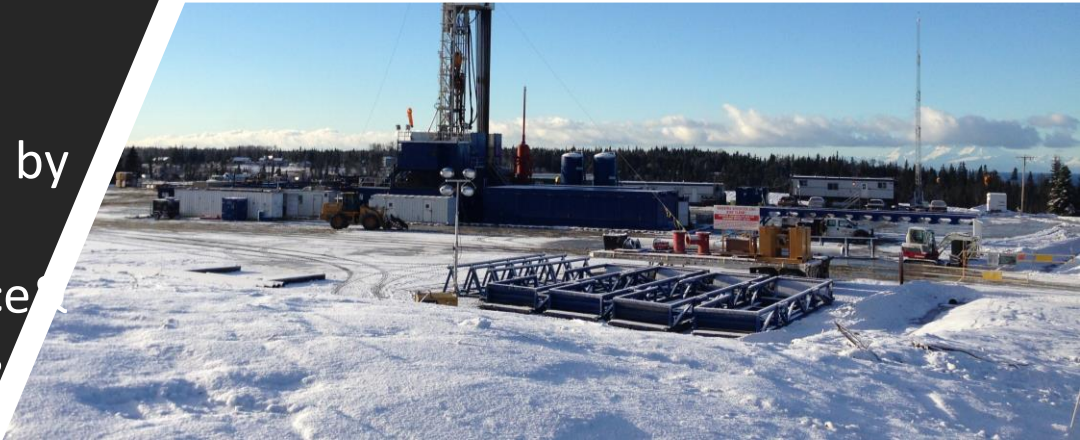
# Companies responded to policy – Production Increased





# Cook Inlet: Bust to Boom (and Back?)

- Southcentral's primary source of electricity, heat for 40+ years
- In 2010, the Alaska Legislature made changes that improved Cook Inlet's investment climate
- Companies responded: new players, more rigs, more oil and gas production= energy stability for Southcentral
- These incentives were eliminated by the legislature in 2016
- Slowdown in effect due to oil price lack of payment of earned credits





**Reality check: Times are tough**

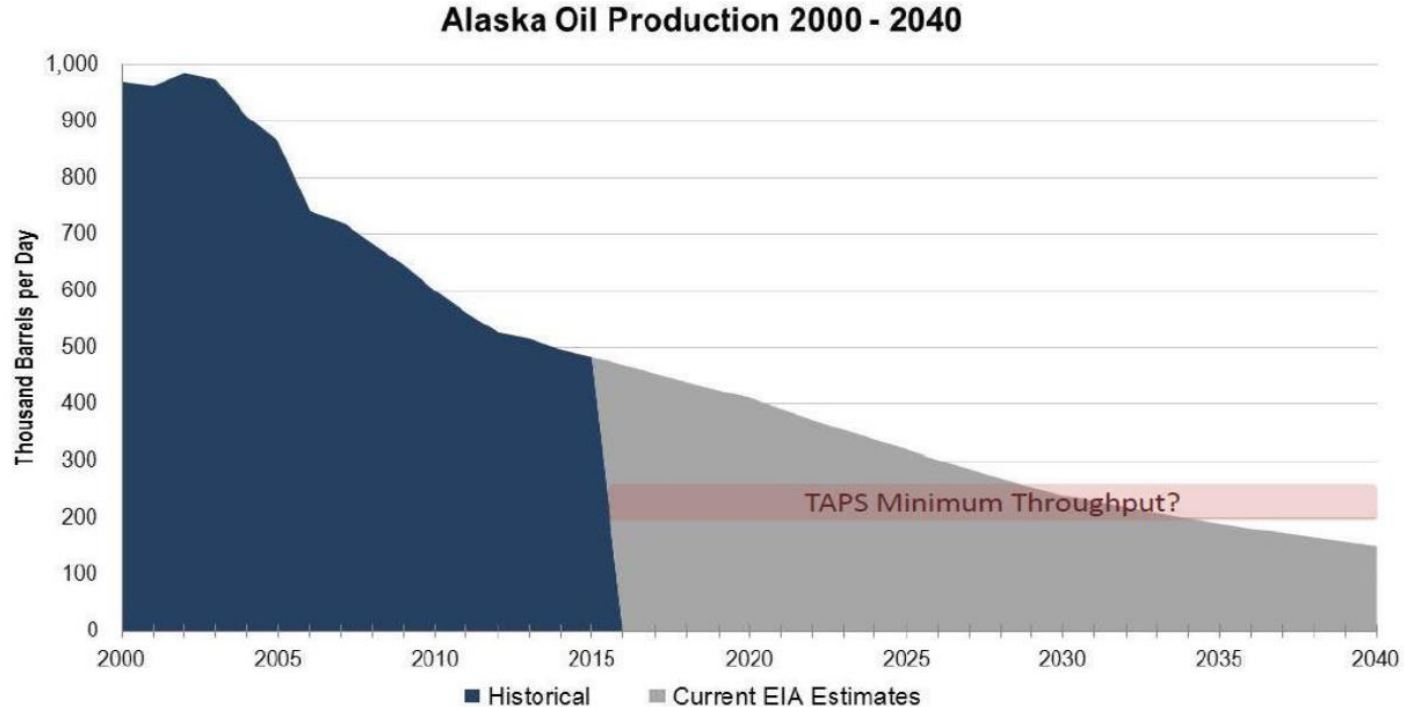
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# Reality check: TAPS is running at 25% capacity





# TAPS: How low can it go?



Source: EIA Estimates from Annual Energy Outlook 2016

Source: Energy Information Administration, Fall 2016



# Why does any of this matter?



# Oil fuels Alaska's economy

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“...without oil, [Alaska's] economy today would be only ½ the size.”

University of Alaska Anchorage, ISER report,  
Prof. Scot Goldsmith, February 2011



# Billions paid to state & local government

- Since Statehood:
- Royalties: \$46.6 Billion
- State and local property tax: \$12.8 Billion
- Corporate income tax: \$11.5 Billion
- Production tax: \$58.2 Billion
  
- TOTAL: \$129 Billion

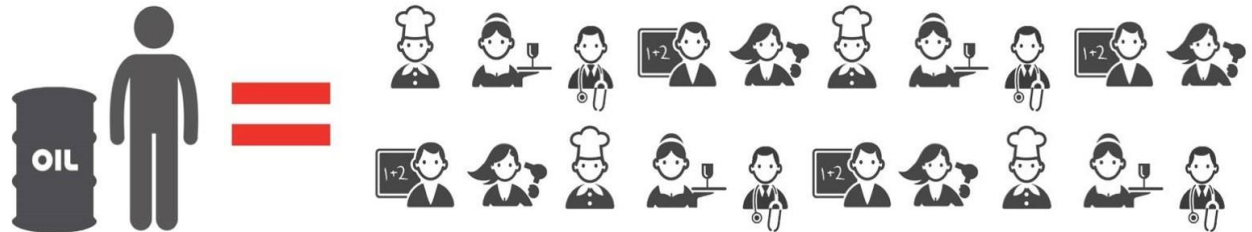
Still largest tax payer



Oil provides jobs throughout Alaska's economy

**1** oil and gas industry job generates **20** other jobs through industry spending:  
**9 private sector jobs and 11 government jobs.**

Source: "The Role of the Oil and Gas Industry in Alaska's Economy," McDowell Group, May 2014





# Oil supports our communities



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INSULATE COVERED DRAINAGE  
A-WHIRL TEA CUPS  
FUN ME  
PI SLI  
HOT DOG FA  
ALASKA

**BP**  
DAY AT  
THE FAIR



# “Big oil” = Alaskans

Alaska resident hire in oil  
and gas: 60-70%  
(10-year average, includes  
contract workers)

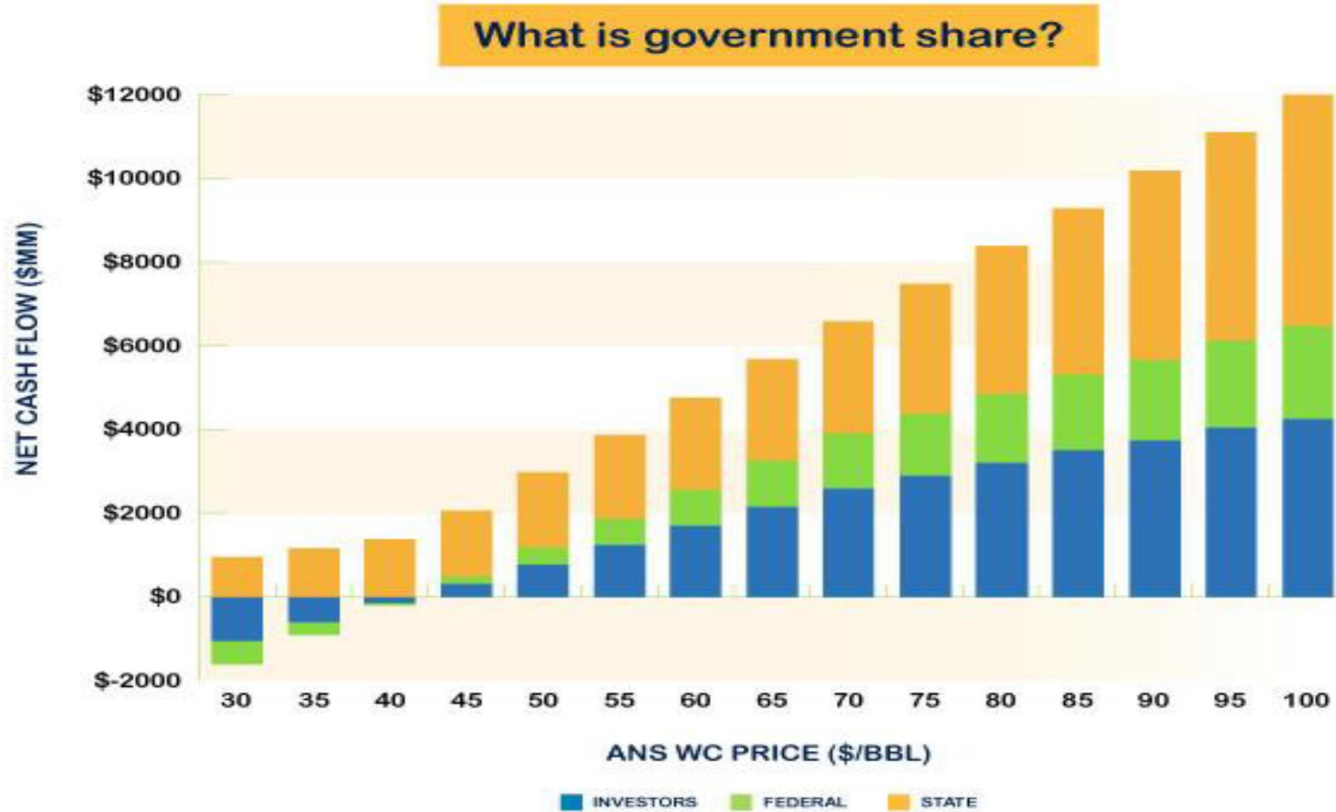
- BP: 79%
- Alyeska Pipeline: 95%,  
with 20% Alaska Native  
hire
- Hilcorp: 89%
- Andeavor (Tesoro): 97%
- Caelus Energy: 85%
- BlueCrest: 100%



# No stability in Alaska oil tax law

Dates	Tax Policy Change	Increase / Decrease?	AOGA Position
Feb. 2005- March 2006	Aggregated ELF – Administrative decision altering gross production tax	<b>Tax Increase</b>	<b>Opposed</b>
April 2006- July 2007	Petroleum Production Tax (PPT)	<b>Tax Increase</b>	<b>Opposed Final Version</b>
July 2007- 2013	Alaska's Clear and Equitable Share (ACES) *	<b>Tax Increase</b>	<b>Opposed</b>
2010	Cook Inlet Recovery Act	<b>Incentives for Industry</b>	<b>Supported</b>
2014	SB 21	<b>Both</b>	<b>Supported, with concerns</b>
2016	HB 247 – Gov. Walker's oil tax reform	<b>Tax Increase</b>	<b>Opposed</b>
2017	HB 111	<b>Tax Increase</b>	<b>Opposed</b>

# Government gets more at every oil price





# What's the deal with tax credits?

- Established over 10 years ago to attract small, new companies to the state
- Designed to address the high cost of doing business in Alaska: reduce “barriers to entry”
- Proved wildly successful in meeting those goals: new players, new oil
- With oil price crash, became difficult for the State to pay for them
- Eliminated by the Legislature & Gov. Walker in 2017
- Now state owes hundreds of millions in past earned credits

"Mammoth Texas oil discovery biggest ever in USA"

*CNN, November 2016*

"New Report: Ohio Sees 96 Percent Increase in Oil and Gas Jobs"

*Energy In Depth, February 2016*

"Texas Is Making An Energy Recovery"

*Yahoo Finance, October 2016*

"Colorado's oil and gas industry is making a U-turn"

*Denver Post, February 2017*

"Apache Has High Hopes for New Oil-Field Discovery in Texas"

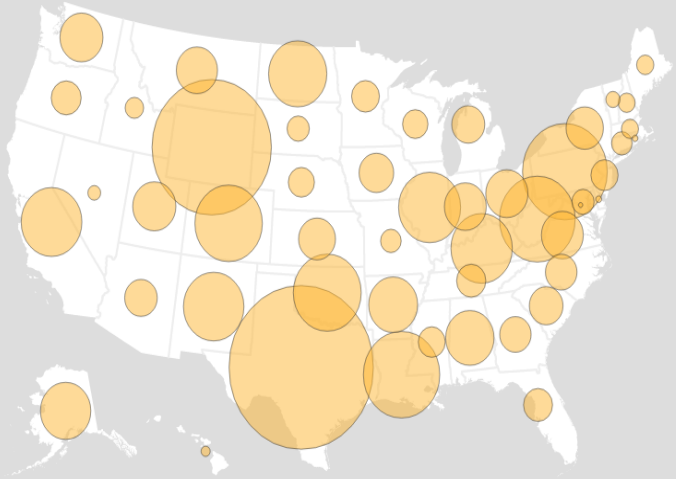
*WSJ, September 2016*

"Nearly \$1 Trillion Worth of Oil Found In Texas, Largest Deposit Ever Discovered"

*U.S., International Business Times, November 2016*

## ENERGY PRODUCTION IN TRILLION BTU: 2012

Click on each state to learn more about how much energy they produce



Source: [EIA State Energy Data Systems](#)

# The world has changed

More competition for investment that we ever dreamed of

# Mega resources

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## RESOURCE POTENTIAL

### STATE LAND

**Cook Inlet**  
599 mbo and 19 tcf gas

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#### Onshore North Slope

Conventional:  
5 bbo and 35 tcf gas

Heavy/Viscous:  
24-33 bbo

Unconventional:  
2 bbo and 12 tcf gas

### FEDERAL LAND

**Offshore Arctic**  
27 bbo and 132 tcf gas

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#### NPR-A

896 mbo and 53 tcf gas

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#### ANWR

10 bbo and 3.5 tcf gas

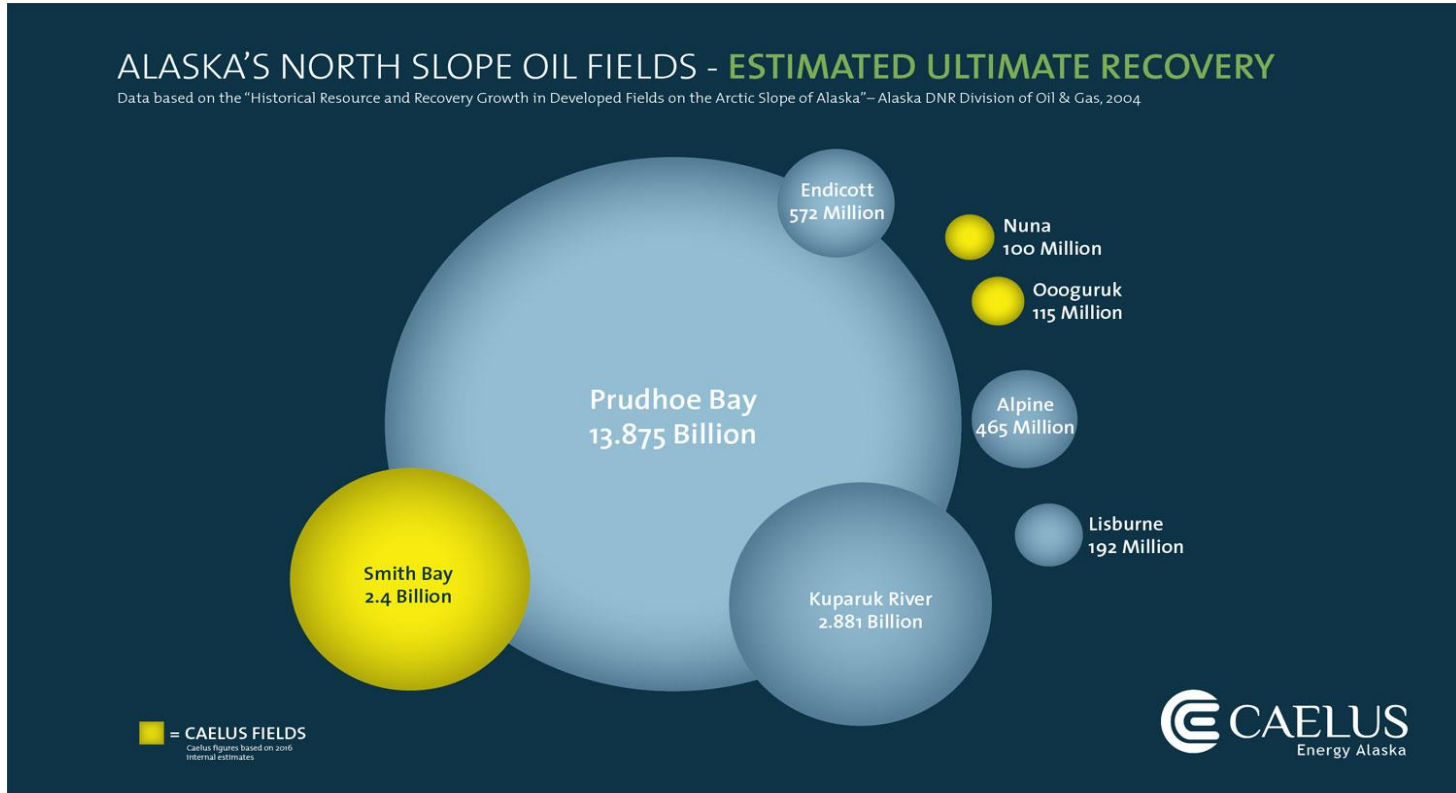
mbo - million barrels of oil

bbo - billion barrels of oil

tcf - trillion cubic feet

Source: USGS

# Major discovery in Smith Bay





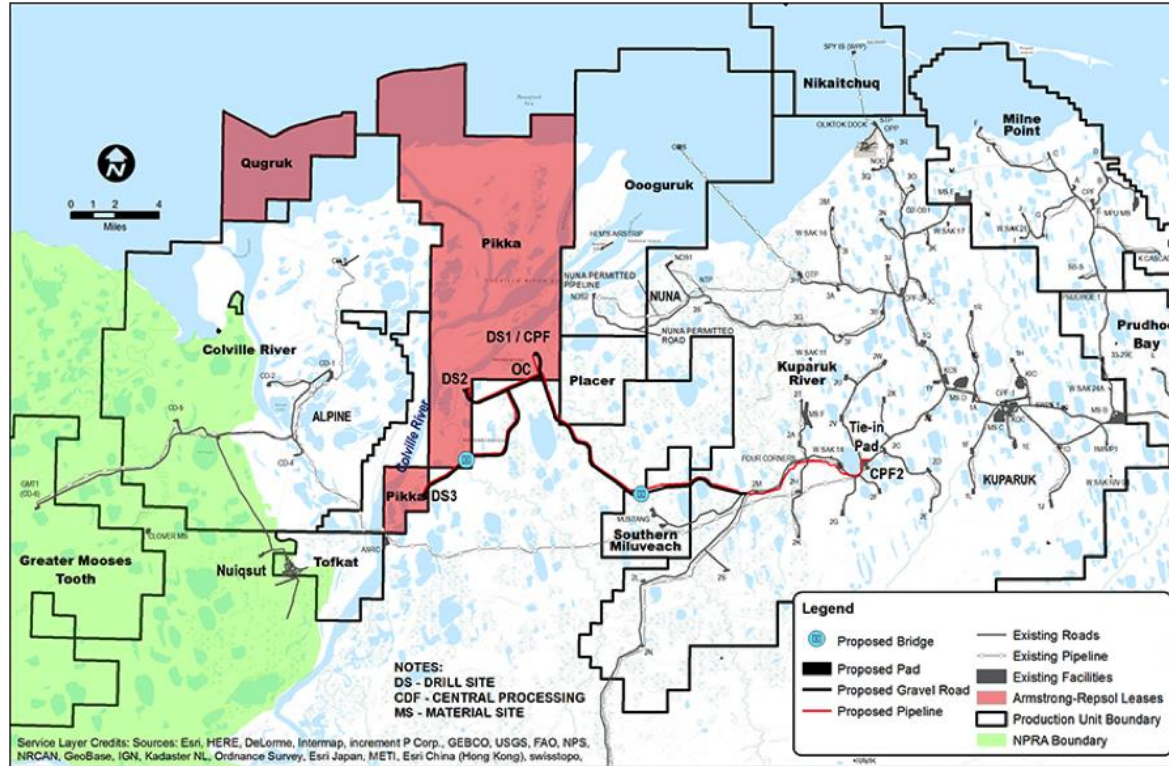
# Caelus' Nuna project

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- \$1 billion project
- Estimated at ~15,000 barrels per day
- Currently delayed



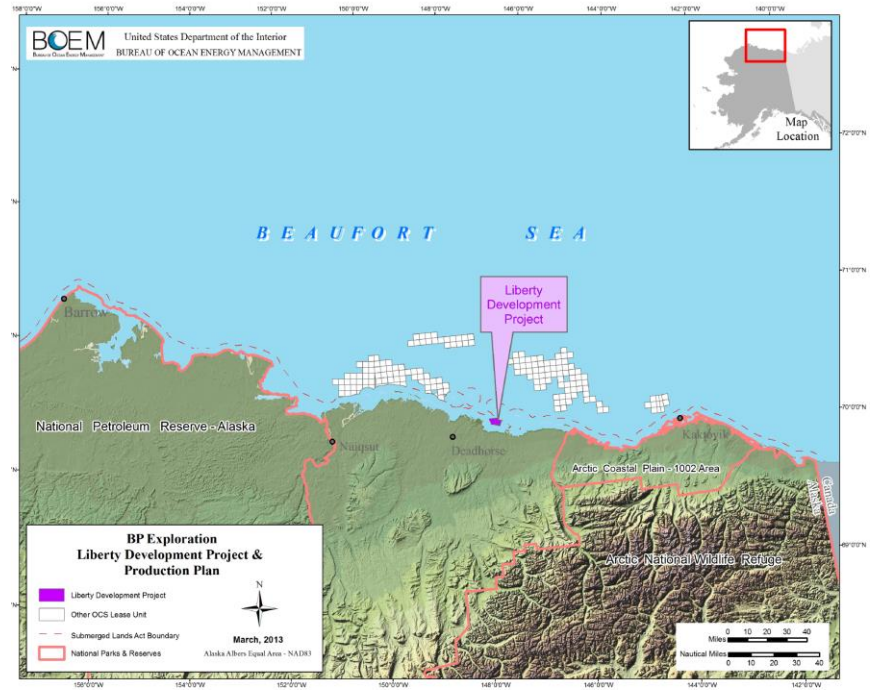
# Armstrong's Pikka project



Estimated at ~120,000 barrels per day



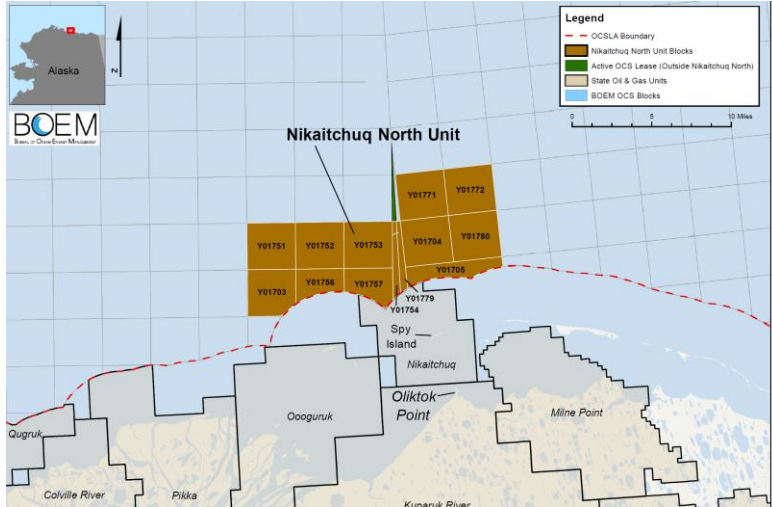
Comments on Draft EIS:  
**Due November 18**  
[www.regulations.gov](http://www.regulations.gov)



# Hilcorp's Liberty project

Estimated at ~60,000 barrels per day

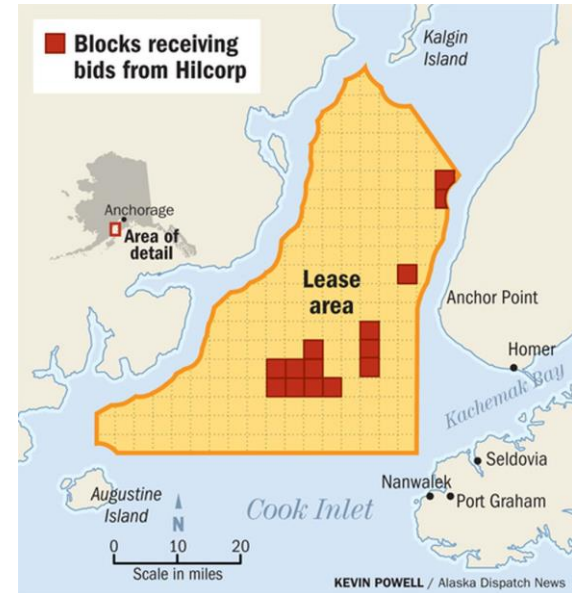
# Other exciting news for 2018



Conditional Approval  
eni – 4 exploration wells  
2017-2019

Hilcorp plans new pad and well  
near Ninilchik

Hilcorp makes industry's first move in  
decades into federal waters of  
Cook Inlet



Glacier returning to exploration





Alignment with federal administration on “energy dominance”



# Keys to Alaska's Recovery

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**Lower oil prices appear to be the new normal so the State must give investors confidence:**

- **Oil tax laws cannot change every year**
- **Earned tax credits must be reimbursed**
- **Must signal “Open For Business”**





# Key Takeaways

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- Alaska is not “running out of oil”
- Alaska can remain an oil state if Alaskans so choose
- Policy will drive future investment
- Alaska must compete globally for investment
- We have a window of opportunity with new federal policies
- Policymakers need to hear from ALL Alaskans



**“They didn’t know it couldn’t be done...”**

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# Questions? Thank you!

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