Principles

• Governor’s Principles:
  – Tax reform must be fair to Alaskans.
  – Encourage new production.
  – Simple so that it restores balance to the system.
  – Durable for the long-term.

Source: DOR Presentation – 1/28/13
**Current Tax Policy (SB 21) Achieving Principles**

- **ACES:** 25% decline in production
- **Low oil prices**
- **Record low oil prices & Pandemic**
- **SB21 Tax Reform Passed**
- **+137,000 additional barrels per day than under ACES**

![Chart showing oil production forecasts and trends](chart.png)
Prudhoe Bay Production - Fall 2019 vs Fall 2022

Prudhoe + Satellites Production Forecast
Fall 2019 & Fall 2022

Hilcorp Wedge

Revenue Sources
Book 2022 Forecast

Revenue Sources
Book 2019 Forecast

mboe/d


*Prudhoe Bay, GPMA, Prudhoe Satellites (incl. MPU) totals, sources are DOR RSB fall 2019 and fall 2022
OVERALL TAKEAWAYS

IT’S THE OVERALL SYSTEM AND NOT THE PARTS

• The world has changed significantly since the days of PPT ACES and SB21 therefore Alaska must have COMPELLING terms to attract producers & $$

• The pace of the green movement has introduced a significant time risk making projects and regimes with rapid and full return of capital a priority. Alaska currently offers neither of those and SB114 makes it worse

• On Corporate Income Tax, SB114 can be viewed as reneging on a deal. Also, the fiscal note fails to capture the increased production and lowered unit costs Hilcorp has brought versus the bp status quo

• At low prices, credits are not needed because of the gross minimum floor. At high prices they become less available due to the step down and increasing costs

• Ringfencing the NS will likely not incentivize capital spending
OVERVIEW

• The traditional oil and gas business is headed into unchartered territory adding new levels of risk

• Items such as tax rate and credits are just part of the state’s complex fiscal system

• Does SB114 incentivize the right behavior and will it sustain a long-term future for oil and gas in Alaska, and a future where production is stable and growing so TAPS can continue to operate?
“Alaska’s oil and gas remains the single most important economic engine in the state.”

24% of all jobs

$4.4 billion with 1000+ local businesses

$4 generated for every $1 earned in primary companies

15 jobs For every 1 primary company job through indirect spending and tax payments