



Resource
Development
Council

May 18, 2023



People.

Pride.

Petroleum.

Photo by David Luke, AKOG 2021 Photo Contest



Principles



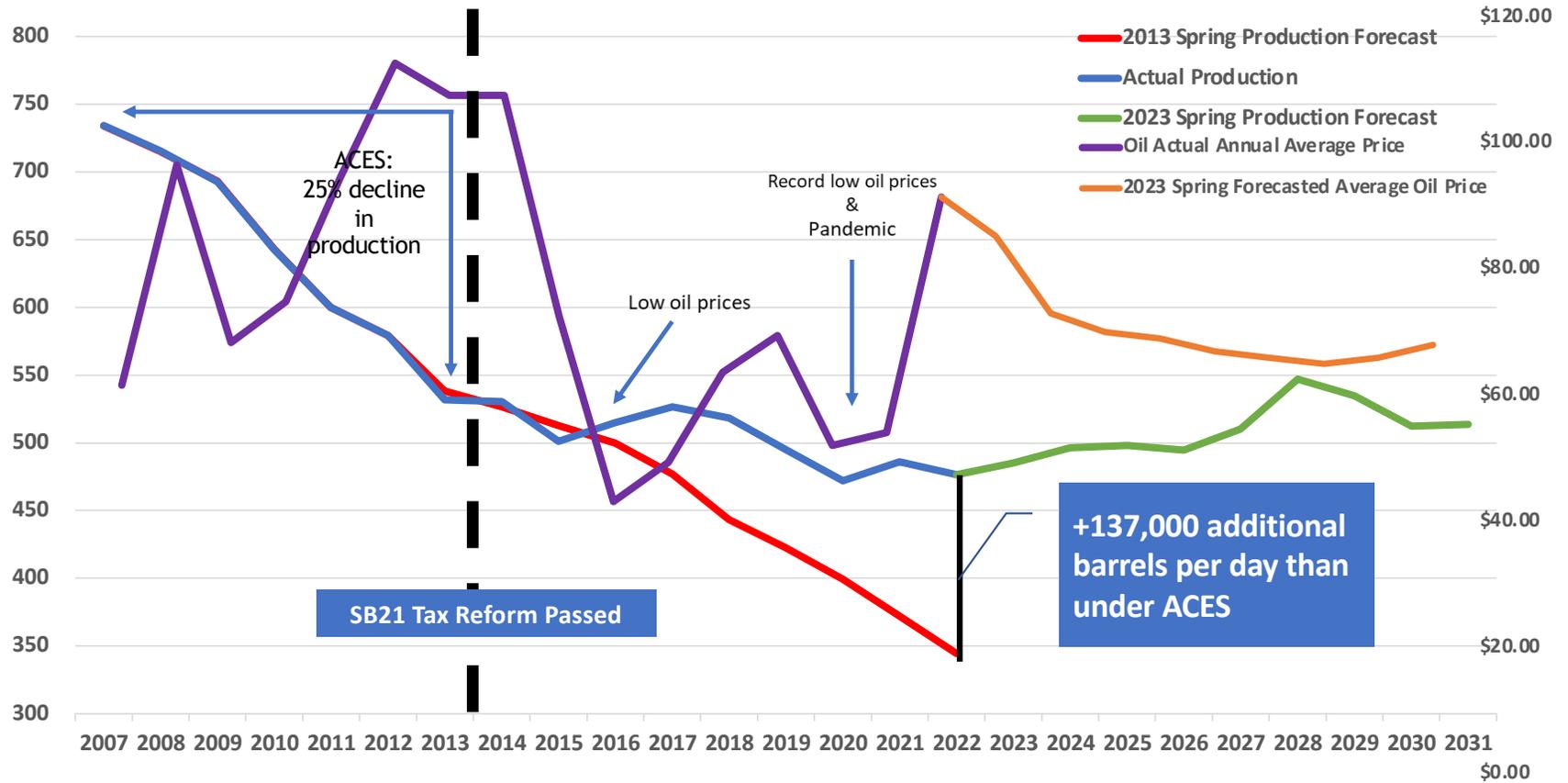
- Governor' Principles:
 - Tax reform must be fair to Alaskans.
 - Encourage new production.
 - Simple so that it restores balance to the system.
 - Durable for the long-term.

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Current Tax Policy (SB 21) Achieving Principles



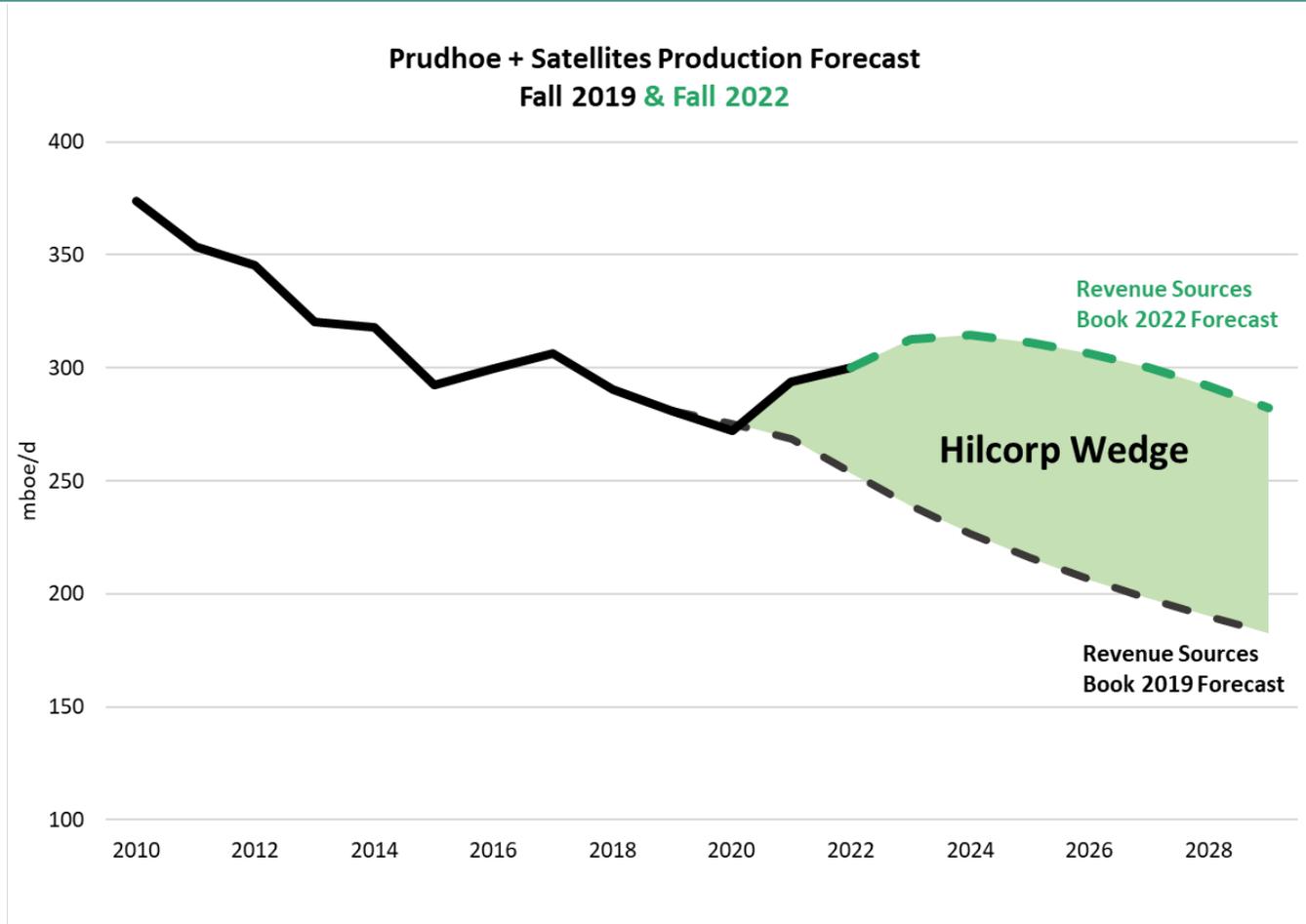
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Prudhoe Bay Production - Fall 2019 vs Fall 2022



*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 renegeing 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 uncharted 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?





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