Oil Industry Tax Credits - The Facts

- **Tax credits are an important tool in the state's tax policy.**

- **Credits encourage investment to benefit Alaska in the short- and long-term by creating jobs, producing more oil/gas, and generating state revenue and deposits to the Permanent Fund.**

- **Tax credits have been credited with why new and smaller players are exploring and producing in Alaska.**
  - Cook Inlet production is up 80% since 2010.
  - Hilcorp has increased production in nearly every field they operate in Alaska, and plan a total Alaska spend of $600-700 million in 2015.
  - Caelus Energy entered Alaska in 2014, and they have already made significant investments in acquiring new acreage, and seismic work, and in new development including $1.5 billion for a new field called Nuna, which is slated to produce up to 20,000 barrels of oil per day by 2017.
  - Repsol and its partner Armstrong just announced a major discovery after a multi-year oil exploration and appraisal program, that along with other new developments, could add tens of thousands of barrels a day to TAPS. They expect to be filing a development permit application this month, and are hopeful these early steps will lead to execution and its first production in Alaska, as well as increased production for the State, which would be good news for everyone. Alaska's current tax system is a major reason Repsol and Armstrong are moving forward with this potential project.

- **It's not just new companies that are increasing investment on the North Slope – it's the companies who have been in Alaska for 40-50 years too:**
  - Pt Thomson is set for production by 2016
  - BP has accelerated drilling and non-rig well work at Prudhoe Bay by nearly 35 percent since 2012. In 2015, BP plans to complete 552 total well jobs at Prudhoe Bay as compared to 355 well jobs in 2012.
  - ConocoPhillips capital spend is 2 times its 2012 level.

- **Alaska is receiving more TOTAL oil revenue than paying in credits.**

- **Alaska is receiving more in production tax revenue under SB 21 than ACES would have in FY 15 and FY 16 because SB 21 protected the state at lower prices and eliminated man credits**
  - Ask any of the producers in the legacy fields and they will tell you they are certainly paying taxes because the state's policy creates a level of protection for state revenues at these low prices so these producers are paying a minimum tax, thus the impact of the credits is no longer pertinent.
  - Smaller companies don't CURRENTLY have a tax liability as Alaska has a net profits tax system and most small companies who are sinking billions of dollars into development, have yet to make a profit, ERGO have no tax liability.

- **Industry does not receive any credit without real money first being spent. A company must earn the credit by first spending millions of dollars to explore for, develop and produce oil on exploration or development work that qualifies for the credit.**