



Focusing on the Future:
Creating a Competitive Climate
for Long-Term Investment
in Oil Production



*Presentation to
The Resource Development Council
February 7, 2013*



Overview



- Governor Parnell's Tax Reform Principles
- Alaska's Continued Production Decline
- Capital Investments: AK vs the Competition
- Are We Competitive?
- New Production in Alaska: It's Been Done
Before, It Can Be Done Again
- Elements of the Governor's Proposal



Governor Parnell's Principles

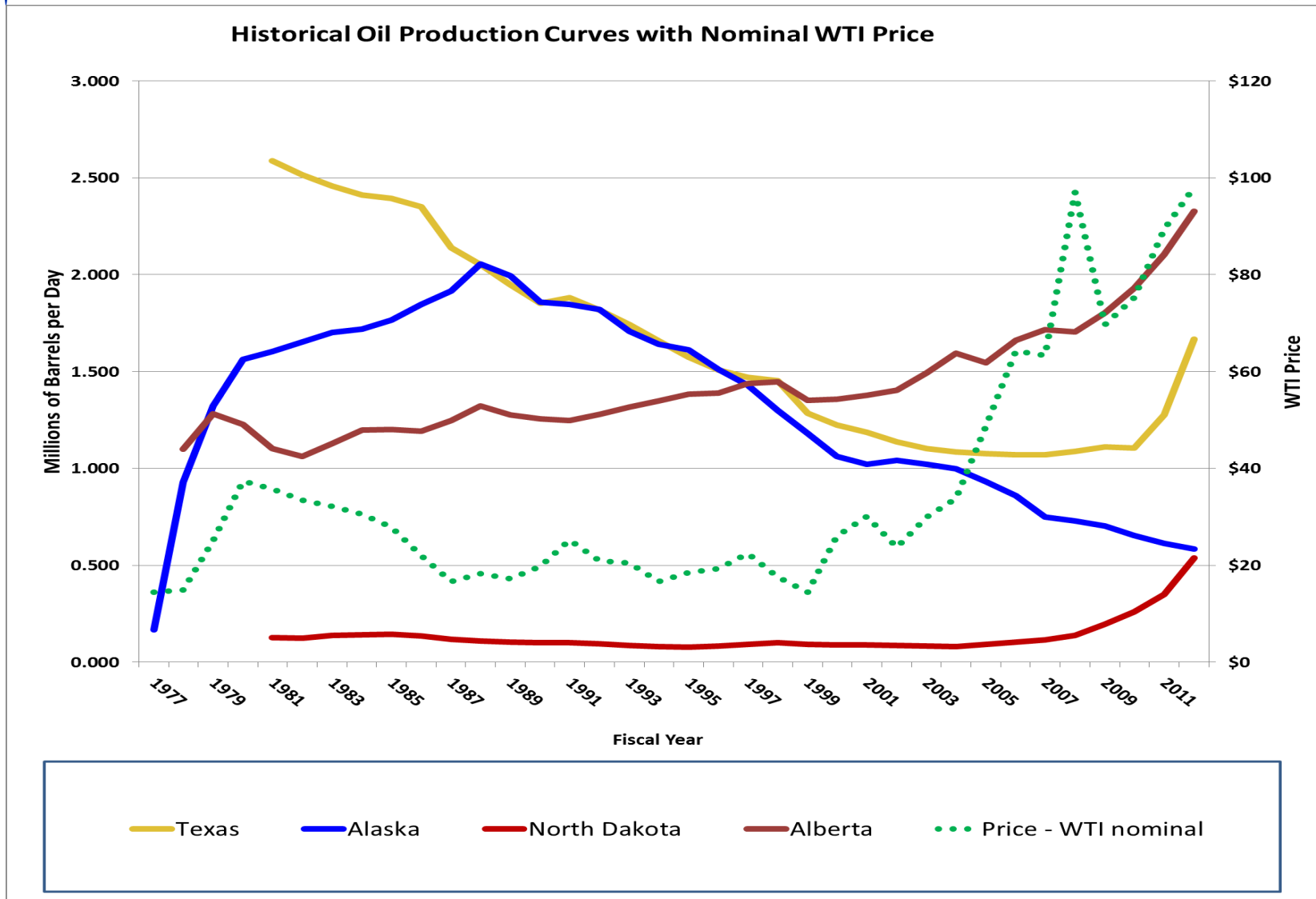


- Tax reform must be fair to Alaskans
- It must encourage new production
- It must be simple so that it restores balance to the system
- It must be durable for the long term

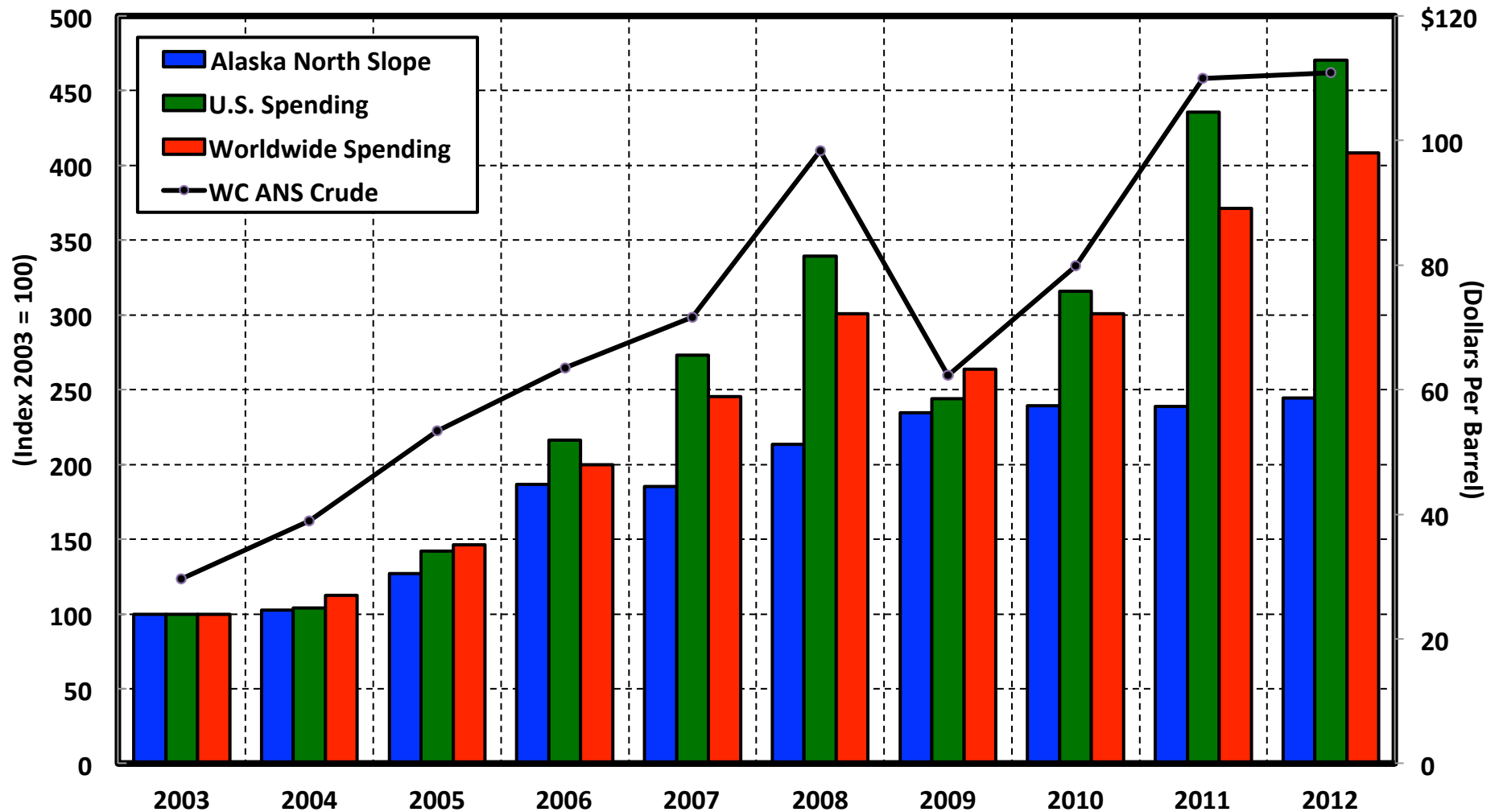


Historical Oil Production:

How Did Our Competition Fare When Prices Spiked?



Estimated Capital Spending for Exploration and Development Alaska North Slope vs. U.S. and Worldwide Spending* 2003 - 2012

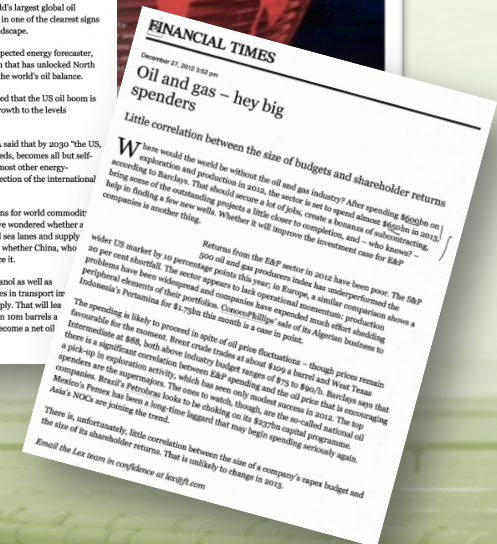
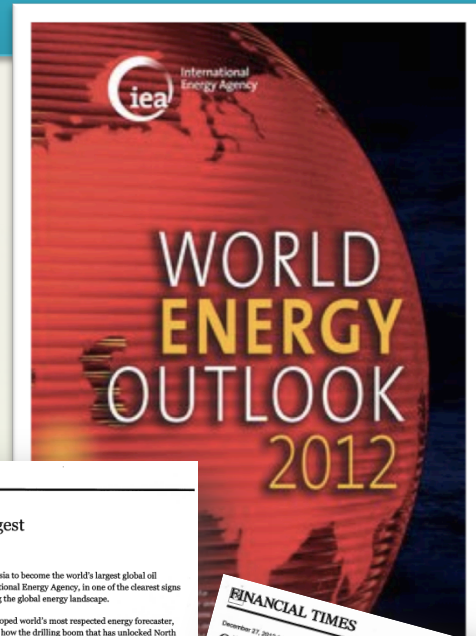


* North Slope based on tax return information; U.S. based on top 50 public companies; worldwide based on top 75 public companies

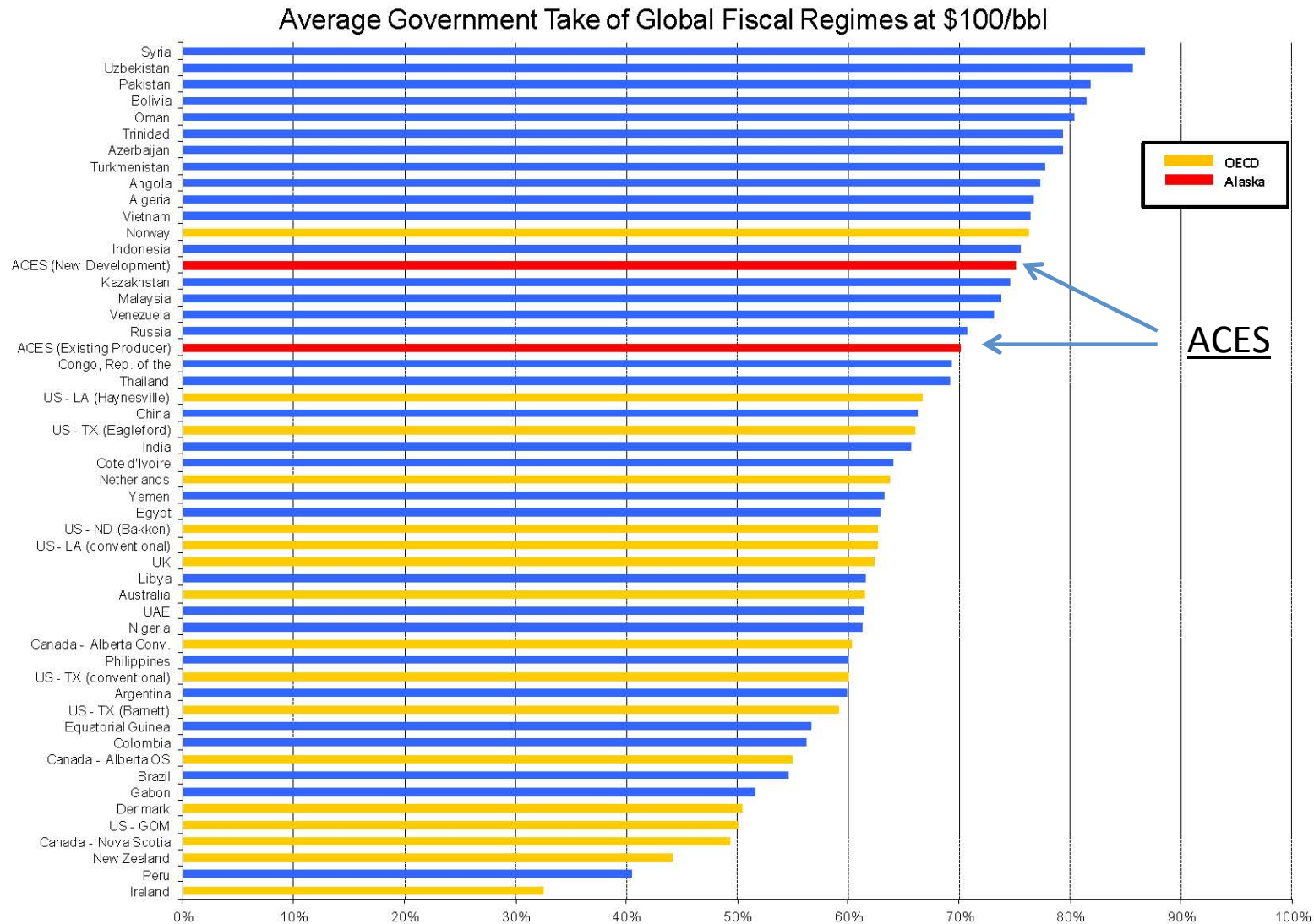
U.S. ENERGY RENAISSANCE

- Global and U.S. hydrocarbon boom
- IEA World Energy Outlook 2012 – U.S. to overtake Saudi Arabia and Russia to become the world's largest global oil producer by the second half of this decade.
- **Financial Times, November 12, 2012** – *“U.S. set to become biggest oil producer”*
- **Financial Times, December 27, 2012** – *“Oil and gas – hey big spenders”*

- **2012 - \$600 billion** on exploration and production in oil and gas industry
- **2013 projected - \$650 billion** on exploration and production in oil and gas industry

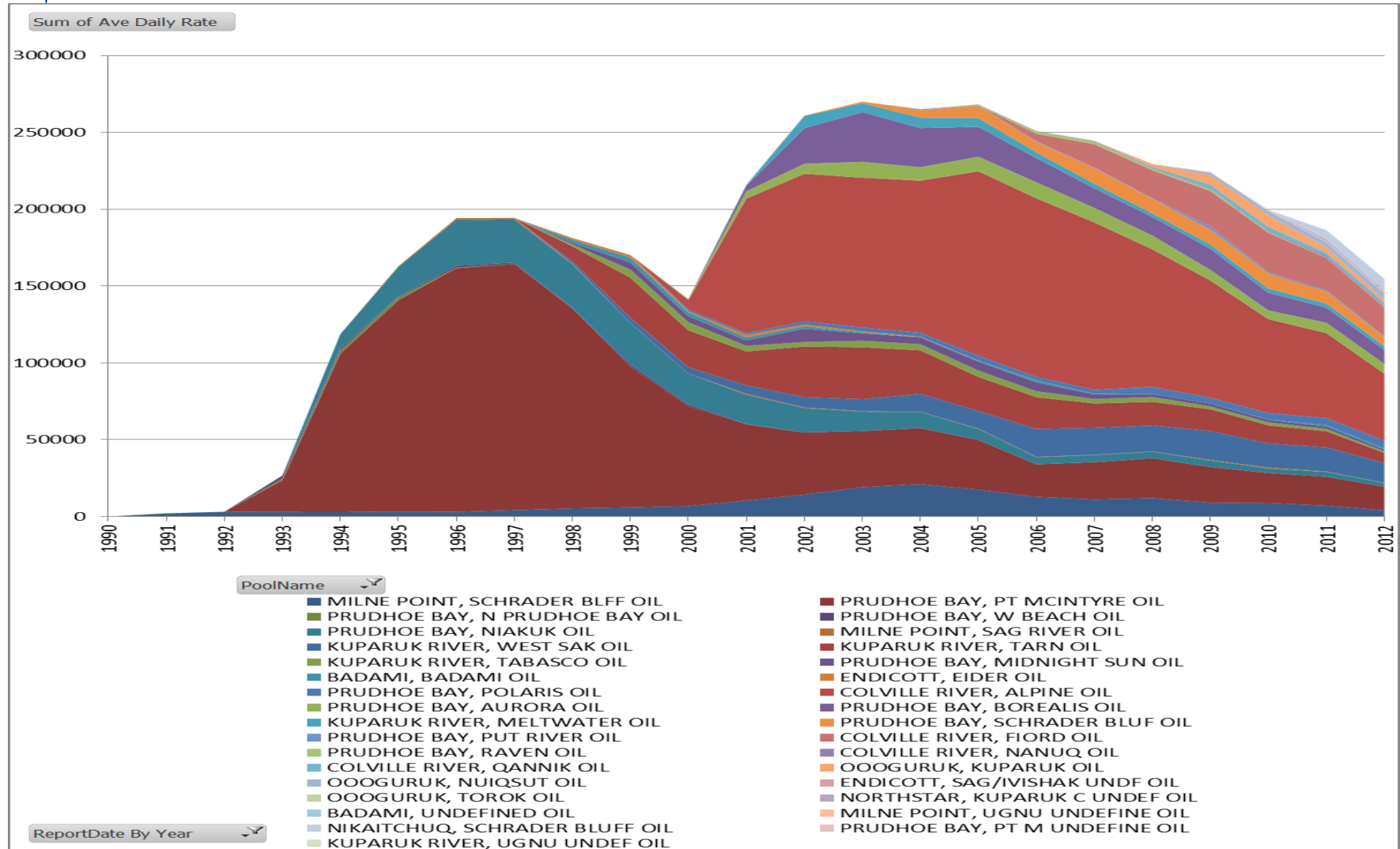


Regime Competitiveness: Average Government Take at \$100/bbl





It's Been Done Before! It Can Be Done Again!



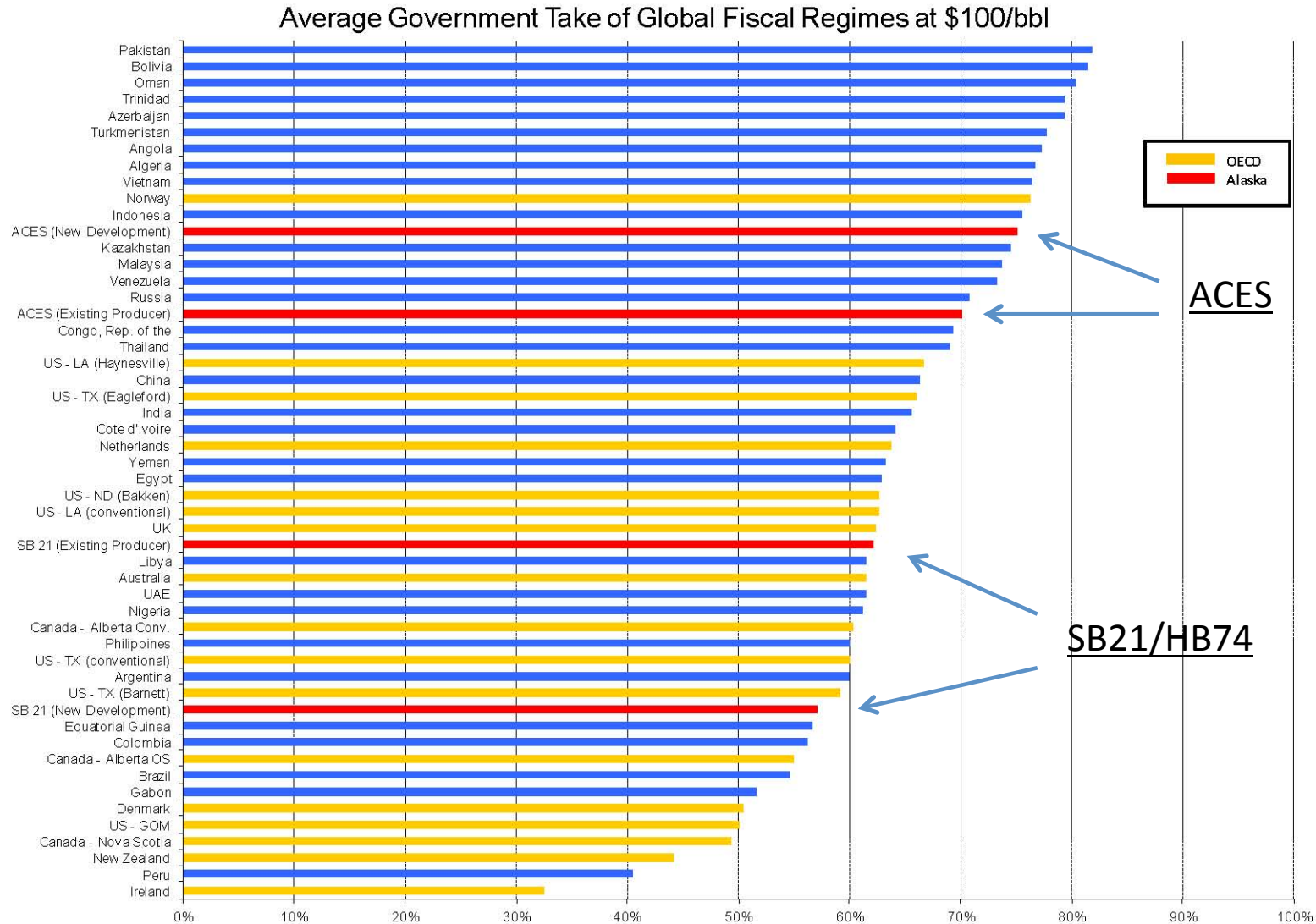


Governor Parnell's Proposal



- Maintain 25% base tax rate
- Eliminate progressivity and credits based on capital expenditures
- Reform remaining credits to be carried forward to when there is production
- Establish a "Gross Revenue Exclusion" for newer units and new participating areas in existing units (NEW OIL)
- Hold Cook Inlet & Middle Earth harmless

Regime Competitiveness: Average Government Take at \$100/bbl





Simple & Balanced is the Goal



Current

- 25% Base Rate
- Progressivity-
0.4% for every \$/per barrel that PTV exceeds \$30 up to \$92.50 then 0.1% until 50% is reached
~\$1.5 billion in FY14
- Tax Credits-
Cash reimbursements +
reduced tax revenue to state
~<\$1 billion> in FY14

Proposed

- 25% Base Rate
- Gross Revenue Exclusion (GRE) for New Oil



Thank You