BERTA'S BRIEFINGS

REPRESENTATIVE BERTA GARDNER

Serving Geneva Woods, College Village, Green Acres, Tudor, Taku & Campbell Park

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The $2 billion (a Year) Question

Dear Friends and Neighbors,

Our airwaves are filled with stark commercials threatening the end of the Trans-Alaska Pipeline (TAPS) unless we cut Alaska's share of oil taxes. In the State Legislature, the discussion is all about Governor Parnell's proposal (HB 110) to cut oil taxes by more than $2 billion per year in a bid to get more oil in the pipeline. So the big questions are: Will this result in more oil development? And, is this the best way to do it?

Representatives Gardner and Kawasaki speak with the press about potential impacts to Alaskans if the Governor's oil tax proposal passes.

The Administration began the discussion by stating that the goals of changing Alaska's tax regime are:

- To be more competitive;
- To create more jobs for Alaskans; and
- To increase production.

Let's examine the proposal through each of the stated goals.

Will This Make Alaska more competitive? The Administration is using data from the **"Fraser Institute 2010 Global Petroleum Survey"** which surveys oil industry investors around the world. We were provided two major points:

- 44% say that Alaska tax regime deters investment
- In ranking of "attractiveness" Alaska is 68th out of 133 jurisdictions

Although the data available to us from the Department of Revenue is disappointingly and inexcusably sparse, both their major points turn out to be pretty worthless.

- 44% say our tax regime deters investment. What about the other 56%? Turns out that **25% say our tax regime is an incentive for investment** and the remaining **31% say it has no impact at all**. In other words, **56% believe our tax regime is either positive or neutral in determining investment**.

- Similarly, ranking Alaska among 133 jurisdictions is meaningless when places like Illinois (with no oil development) and Iran (with instability) are included. When we compare Alaska to those places where the major companies in Alaska are currently investing, **it is a very different story.** The Administration's information shows **Alaska right in the same** range as the other jurisdictions (which include Angola, Australia, Brazil, Indonesia, Iraq, Norway, UK, and US Gulf of Mexico.)

Will This Create More Jobs and Increase Production? Governor Parnell proposes to cut taxes by an amount which Department of Revenue estimated at $1.1 billion per year, but committee examination pointed out other costs embedded in the proposal. The Administration eventually acknowledged the cost to be more than **$2.2 billion every year**. That's in addition to the money the state is already paying as incentives for capital investments—almost $1 billion this year.

During committee testimony, the oil industry was steadfast in its refusal to commit to either increased investment or to increased Alaskan jobs. BP described the proposal as a **good start**. ExxonMobil said it was **not enough**. In other words, **more than $2 billion per year in tax rollbacks would not necessarily result in any new investment, new oil or Alaskan jobs**. No company promised it would produce a drop of additional oil with the $2 billion tax cut.

The Administration's "Oil & Gas Status Report 2011" says in the conclusion, "While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason the increased activity or investment occurs." Here we have the Administration saying our tax system will neither deter nor promote investment. The Administration is not even reading their own analysis.

If the Governor's bill were to pass, Alaskans would lose over $2 billion a year in revenue – funds that have replenished our savings and now support our schools, roads and even lower our property taxes. These are critical resources that Alaskans across our state depend on to support and improve our communities. Within four to five years, our savings account would be wiped out, and nothing we've heard so far gives Alaskans confidence this change will result in any increased development or Alaskan jobs.

I am certainly open to any new measures to increase oil development, including more credits for development and leveling the playing field for new producers looking to access existing North Slope facilities. But before we give away billions, the Legislature needs solid data and accurate analysis about what we'll get in return so we can determine the best and most prudent way to move forward.

Don't miss the next exciting episode of **"The $2 Billion Dollar (a Year) Question" subtitled, "Throughput is the king of all"**. It is coming soon to your inbox.

I'm Berta and I'm still listening,

Berta