



BERTA'S BRIEFINGS

REPRESENTATIVE BERTA GARDNER

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

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The Big Debate on Oil Taxes

Dear Friends and Neighbors,

Yesterday a constituent called to ask why my most recent newsletter did not mention the oil and gas tax debate, the single most important issue before the legislature. I told him that I actually think about little else and I know that if we don't get this one right, we might as well forget about the rest of state government because the Alaska we know and love will just dry up and go away. So here, my friends, is the start of what I plan will be a series of discussions of oil taxes.

During my first campaign for office, at a time when there was a lot of talk about changing the oil taxes known as ELF, a man I knew slightly invited me to come in and talk with him and his wife. They explained to me that they had come to Alaska from elsewhere, were employed by an oil company, had fallen in love with Alaska and wanted to stay here and raise their boys here. They told me they loved their work, they were worried about their future here, but they wanted to be Alaskans before they were oil company people. They didn't know what was exactly the right thing to do about oil taxes but they trusted me to go to the legislature, to study the issue with a fair mind and to do the right thing. That family, from my own neighborhood, has become a touchstone to me whenever I think about oil taxes and the oil industry.



The Trans-Alaska Pipeline
Photo by Ryan McFarland, www.zieak.com

And today, when I listen to the steadfast testimony and arguments by the oil industry spokespersons, to the impassioned presentations by truck drivers, pilots, subcontractors and range of

folks who are worried about their jobs, their businesses and their families, I keep in mind my touchstone family, and also the many people who care intensely about the issue, who understand how important it is, but don't feel competent to talk about it any detail. They tell me not to give up billions of dollars without some commitment from the industry to make additional investments and create more jobs for Alaskans. They are watching, and listening and hoping, with their fingers crossed, that we figure it out.

So, what is the problem? In a nutshell, the volume of oil that goes into our TAPS pipeline is declining every year. The TAPS line, our Alaskan lifeline, is now only about 1/3 full, and without major investments in existing and aging fields, and without new exploration and development, the volumes continue to drop. Although money from high oil prices has kept the state going, and masked the severity of the problem, we all know that it cannot continue.

The industry says that Alaska's oil tax system, known as ACES, is too high and deters investment. They say that we need to dramatically reduce the state take from oil sales and that doing so might turn the situation around. The Governor has proposed legislation he believes will do just that and hearings of his bill, House Bill 110, have been happening for a couple of weeks in the House Resources committee, of which I am a member. It has been intense and complex and I have been working to understand the proposal and the data before making any decisions.

The Administration has acknowledged in committee that the bill would cost the state potentially \$2 billion per year. The producers have acknowledged that they cannot make promises about increasing investment if HB 110 passes. The Governor has acknowledged that given current budgets the bill would drain our savings account in just a few years.

In the next newsletter, coming shortly, I'll talk in more detail about the governor's oil tax bill and my own take on it. I will also outline some critical steps we need to take now to encourage industry investment and increase the flow of oil through our pipeline.

I'm Berta and I'm still listening,



Berta
