

Good afternoon, my name is Will Chinn. I one-hundred percent support the passage of House Bill 110 - Lowering of the Production Tax on Oil & Gas.

The lack of exploration and development on the North Slope is a clear result of the producers pushing back on the current high taxes on Oil & Gas production. In essence, the high taxes have removed the reward from one side of the risk / reward equation.

Nowhere in the world is oil and gas more expensive to produce than in Alaska – all taxes aside. The remoteness, cold, darkness, lack of infrastructure, cost of insulated pipe and low-temperature steel, labor, logistics, transportation, equipment maintenance, freight, drilling, regulatory environment, pipeline tariffs – the list goes on and on. Add to all those challenges one of the highest production taxes in the world and you have the perfect disincentive for anyone to produce here in Alaska.

By failing to lower the production tax we will essentially be supporting resource development outside our state. Witness the Bakken Shale in North Dakota which welcomes the production of domestic energy with a very reasonable tax structure. Or Alberta, Canada for that matter, which for years has provided a pro-development environment for the Oil Sands. Or outside North America entirely in countries like Nigeria and Brazil. The high taxes here in Alaska will be the biggest contributors to North Dakota's oil production surpassing that of Alaska in as little as two years. Alberta's did long ago...

Improving the tax environment NOW will result in additional production which will offset the overall decline in production as the North Slope oilfields age. The Trans-Alaska Pipeline badly needs this additional production to avoid operational issues that will present themselves in only a few years. At present Alaska is an unattractive place to do business, but we can change that by lowering the production taxes. It's simple economics, all you have to do is look at the risk / reward equation.

I urge you to act now and pass House Bill 110.