


SB21
SENSE AND NONSENSE
THE
MORE ALASKA PRODUCTION ACT (MAPA)

Resource Development Council
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Disclosure and Disclaimer



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The Bottom Line

- The so-called \$2 billion “giveaway” this year under SB21 doesn’t exist.
- Without enhanced production, future tax revenues could be higher under SB21 than ACES if recent price and cost trends continue.
- Under reasonable future market conditions, a modest increase in oil investment would create more state revenues under SB21 than ACES.
- New money into the oil patch creates long lasting jobs and increased consumer purchasing power.

Alaska Constitution, Article VIII, Section 2

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.



Production Tax 101

**TAX BASE =
PRODUCTION TAX VALUE (PTV) =**

(Market Price * Production) –
Transportation Costs – Royalties –
Lease Costs

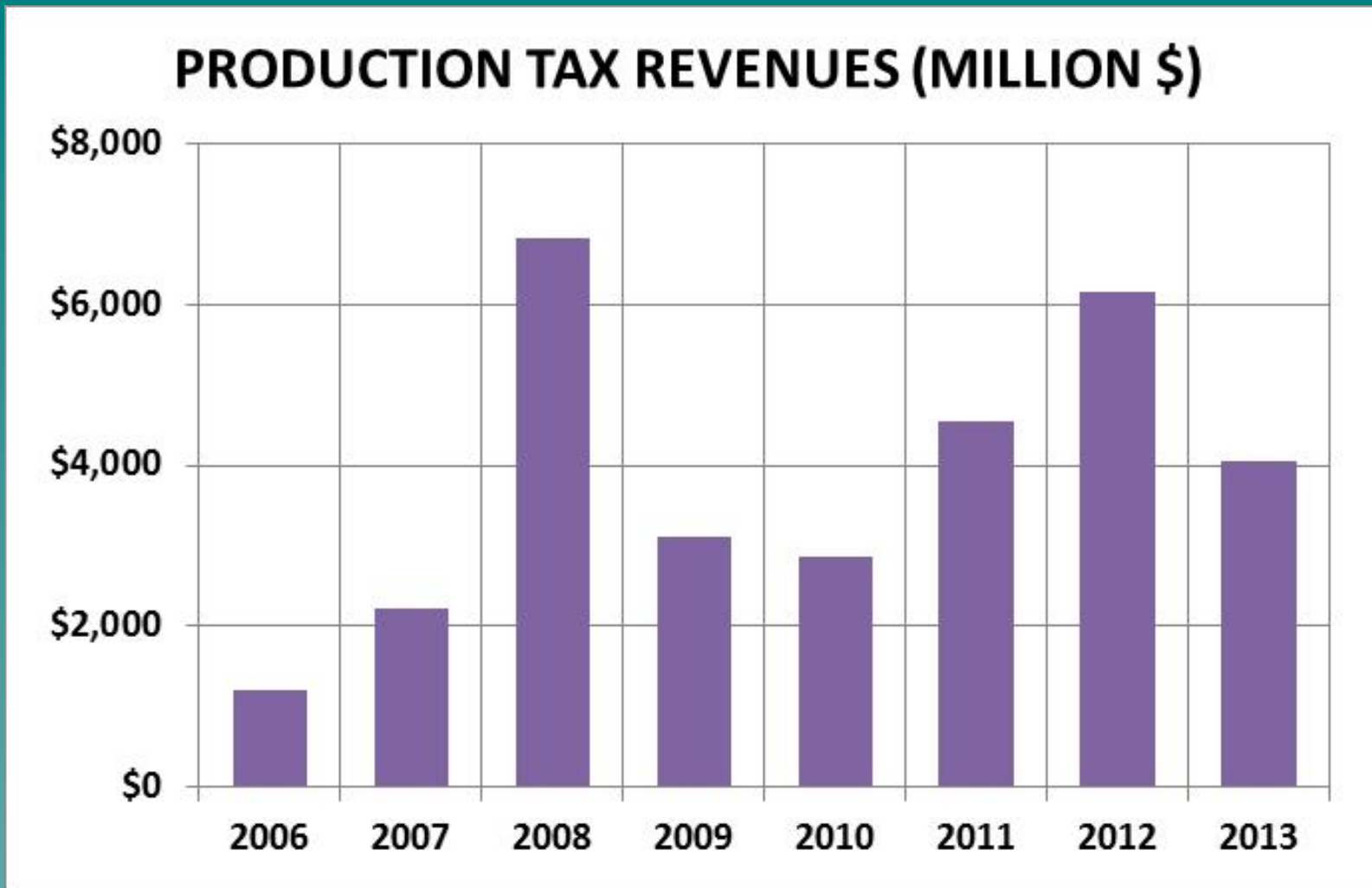
TAX LIABILITY =

nominal tax rate * PRODUCTION TAX VALUE –
TAX CREDITS

MAPA vs ACES

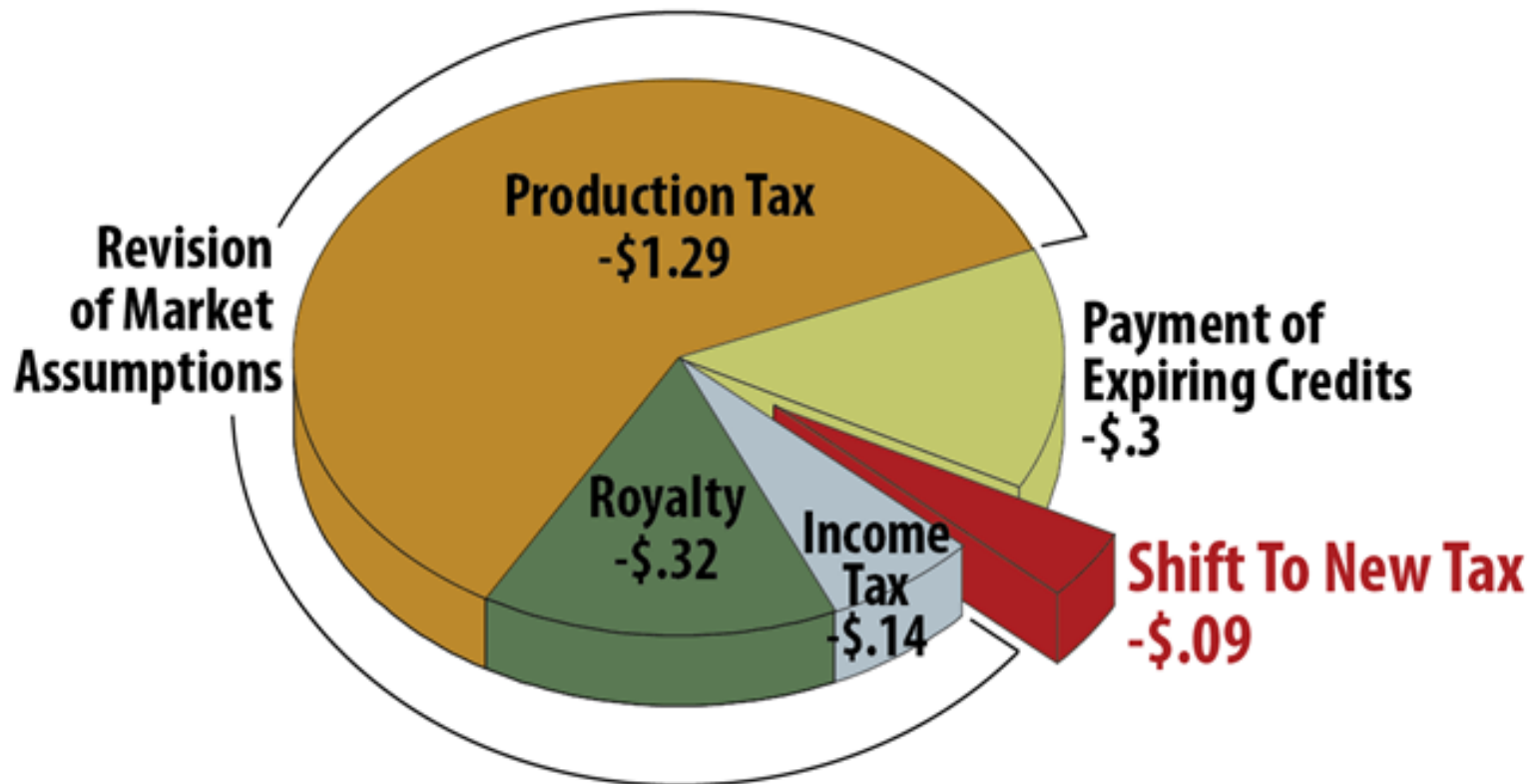
	ACES	MAPA
Nominal Tax Rate	25% - 75%	35%
Production Tax Value	No adjustments	Reduction for some NEW OIL (GVE)
Credits	Capital Costs	Production

Revenue Volatility



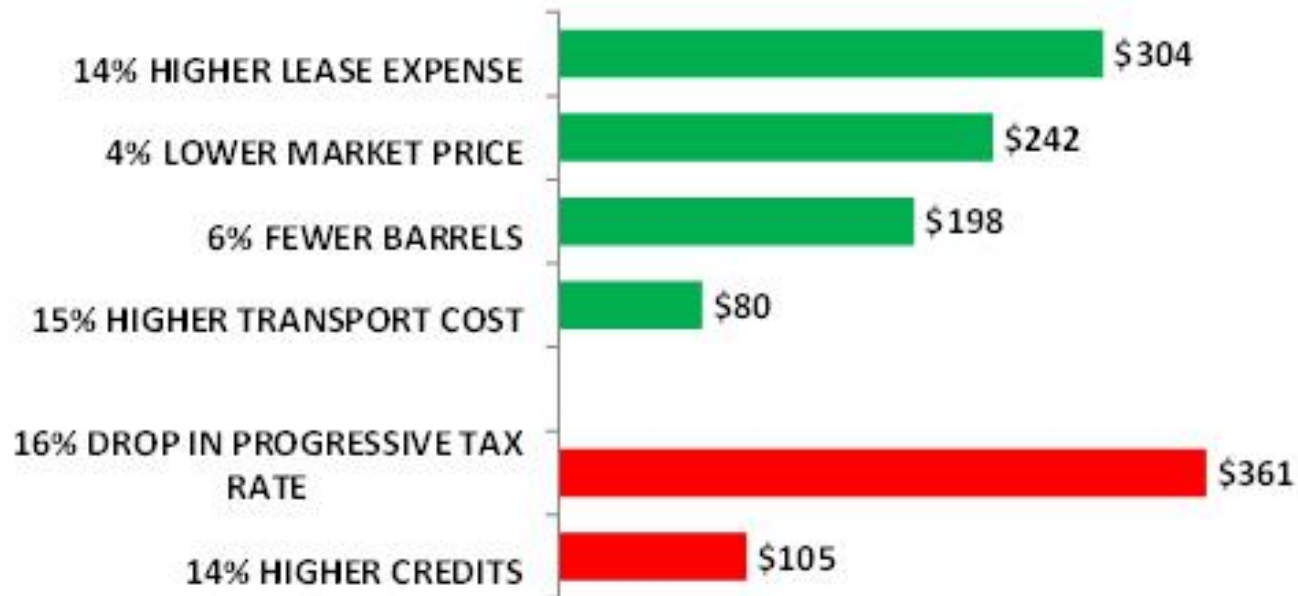
The Disappearing “Giveaway”

The Disappearing Billions: What Happened to \$2.1 Billion in Expected Oil Tax Revenue in FY 2014?



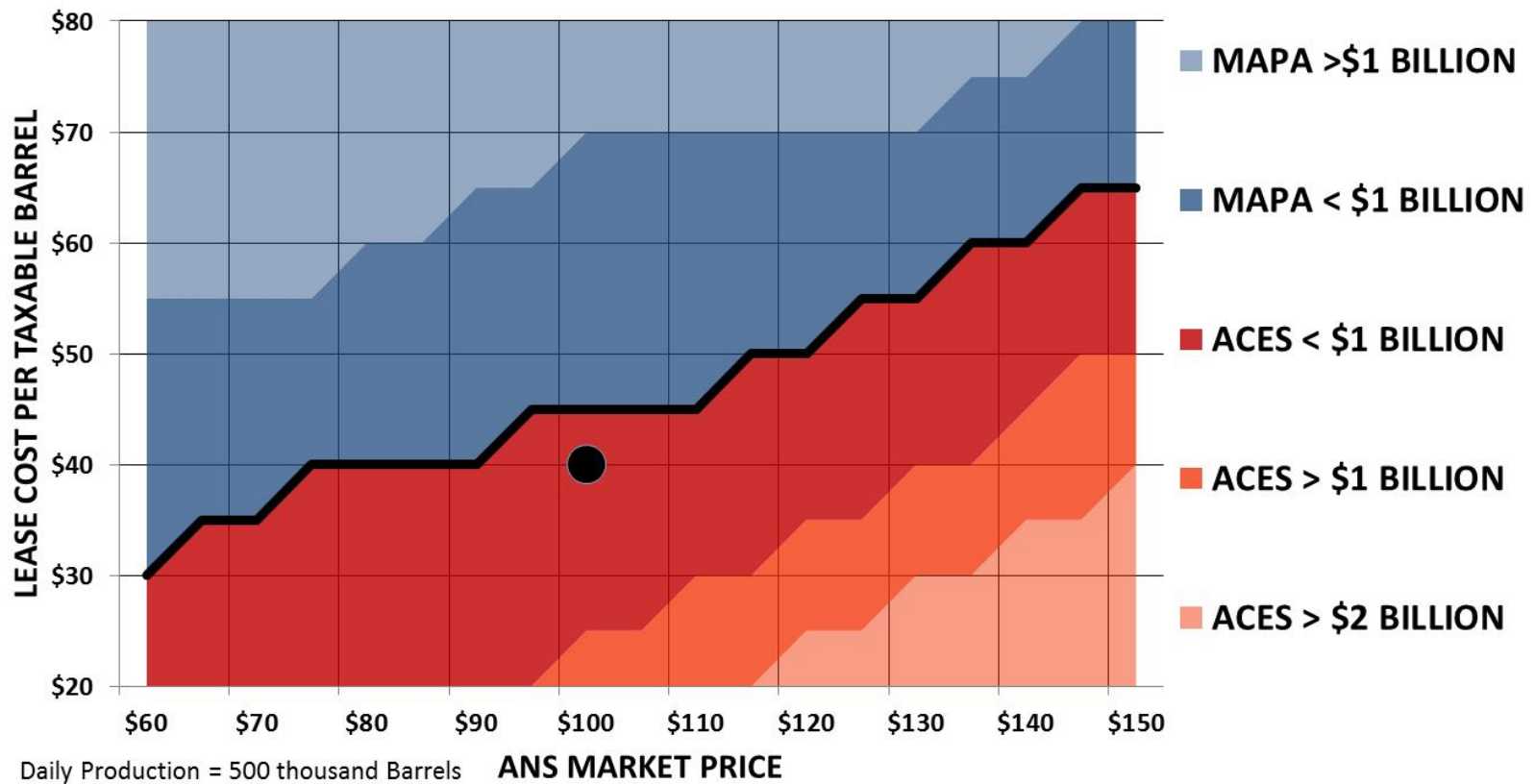
Why Did the Production Tax Projection Fall \$1.29 Billion?

WHAT EXPLAINS THE \$1.29 BILLION DROP IN FORECASTED FY 2014 PRODUCTION TAX REVENUE (Million \$)



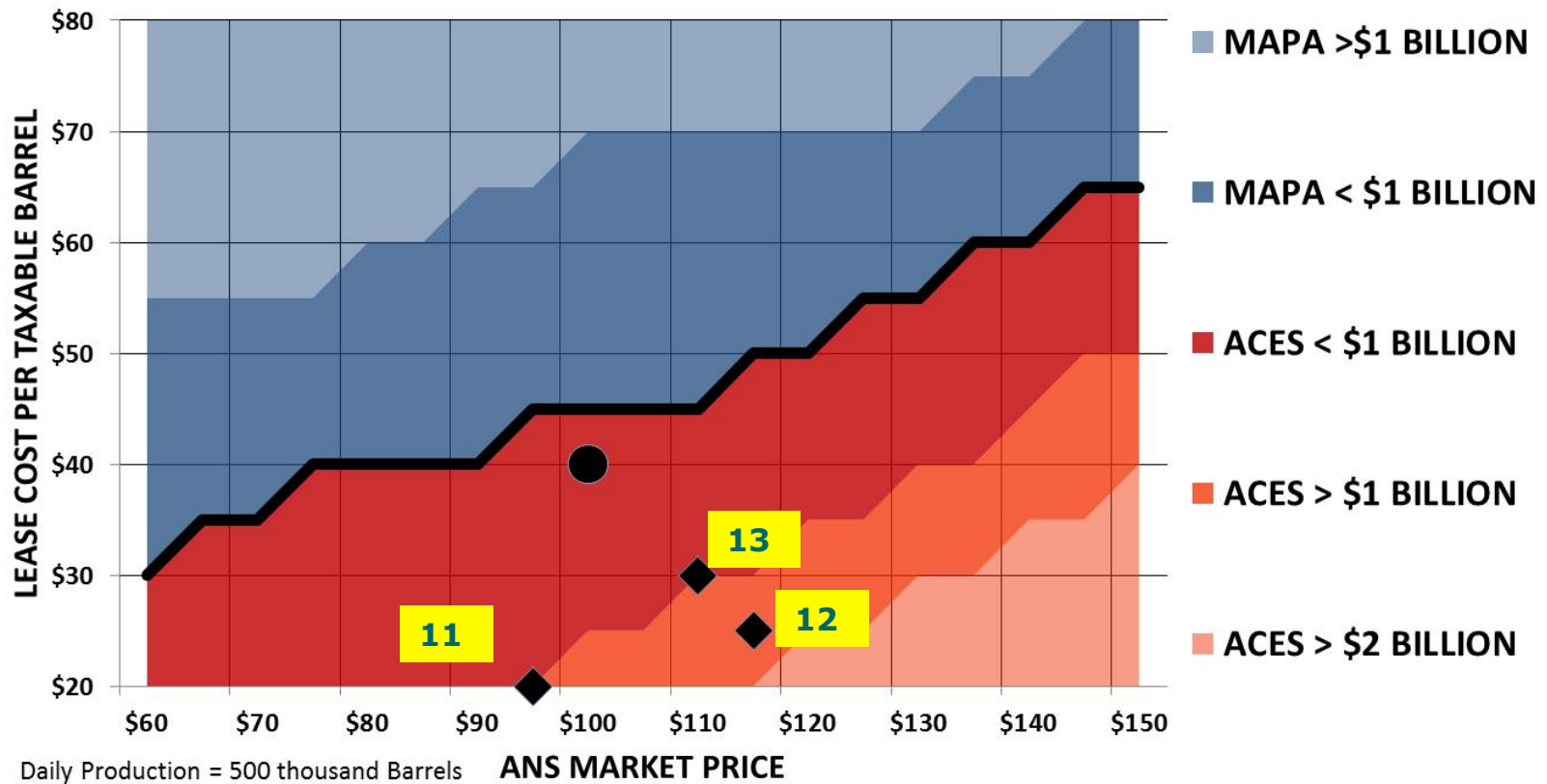
Production Tax Dart Board

MAPA VS ACES ? REVENUE COMPARISON

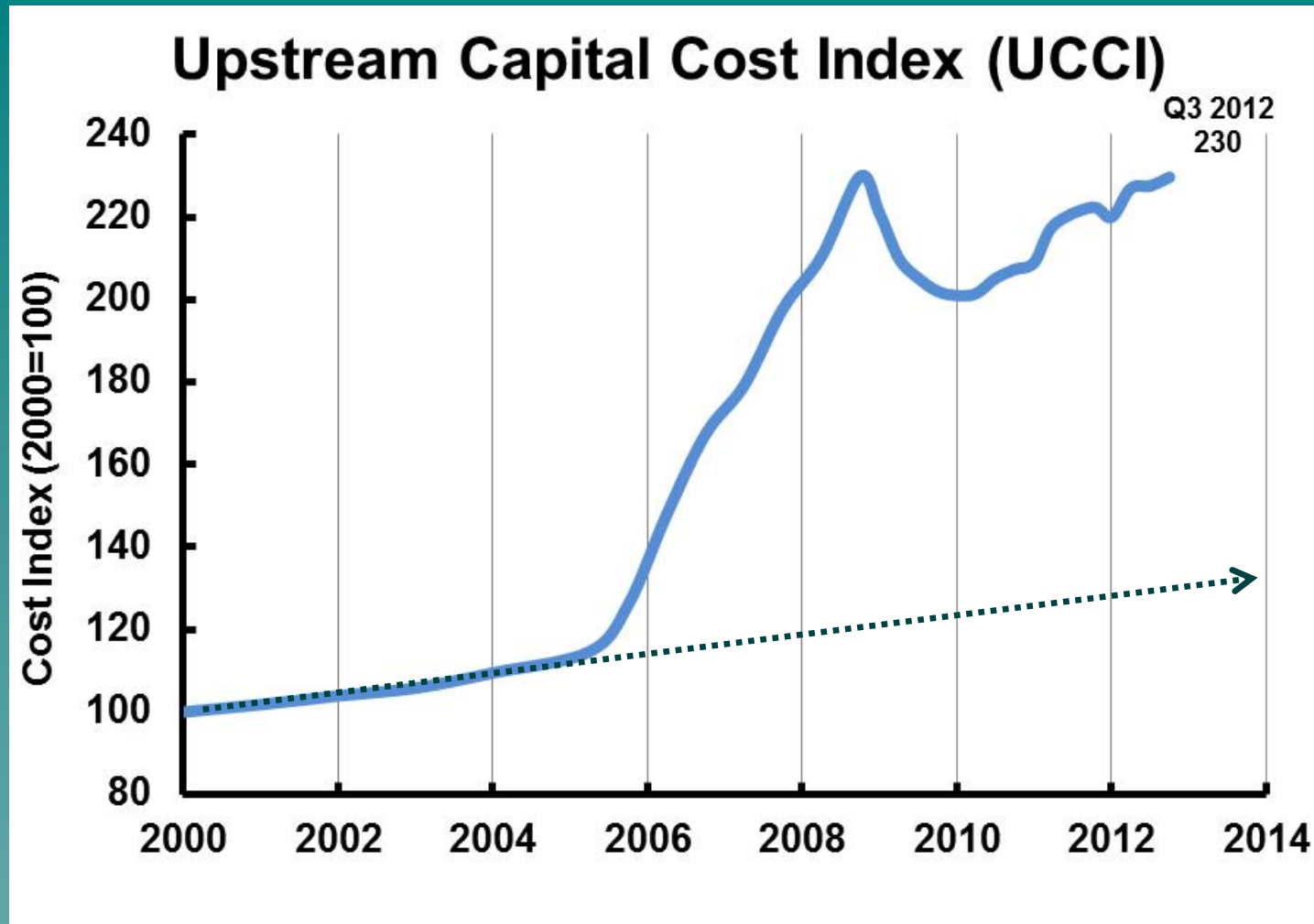


Where Did Past Throws Land?

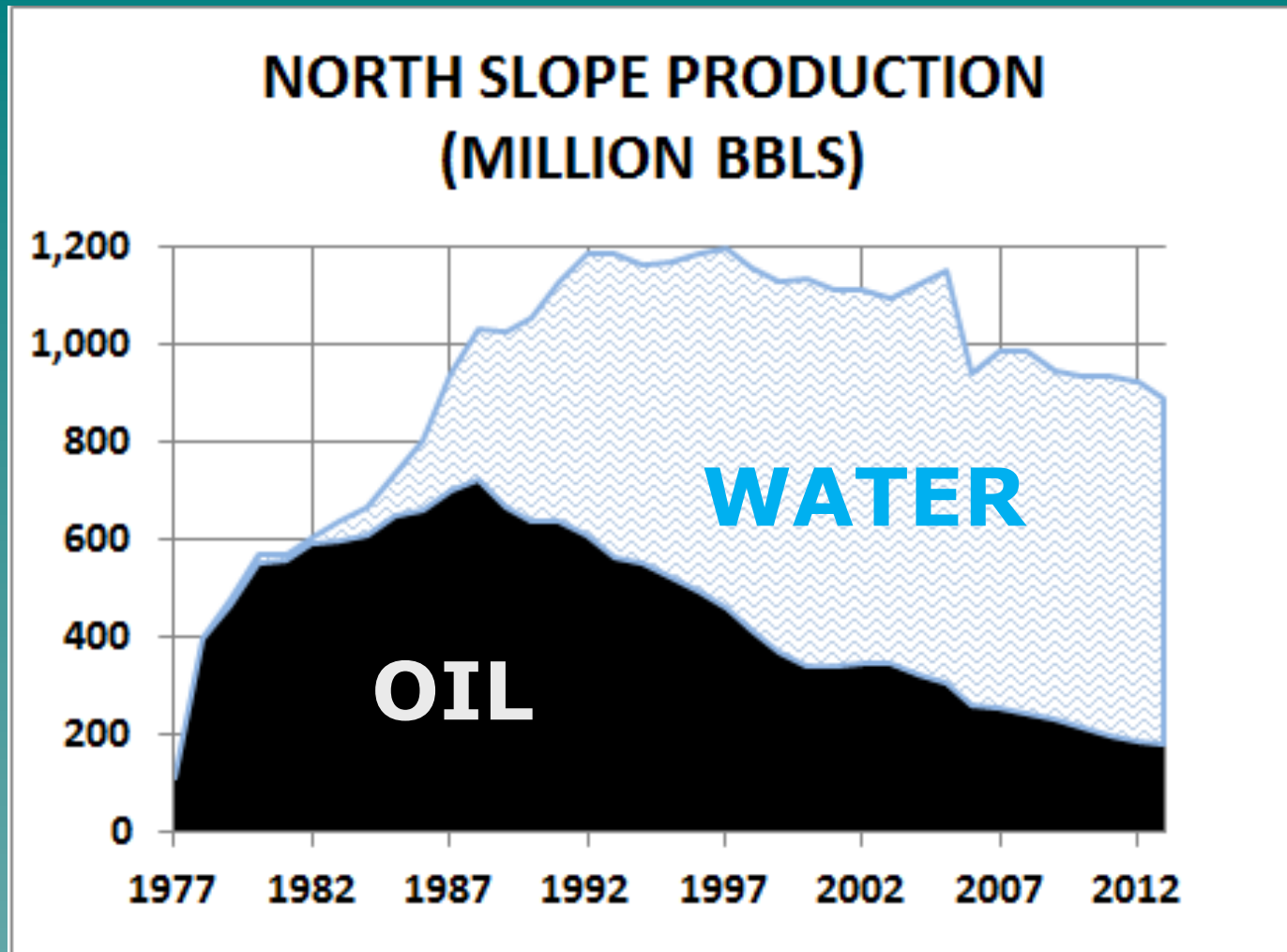
MAPA VS ACES ? REVENUE COMPARISON



US Petroleum Capital Cost Index

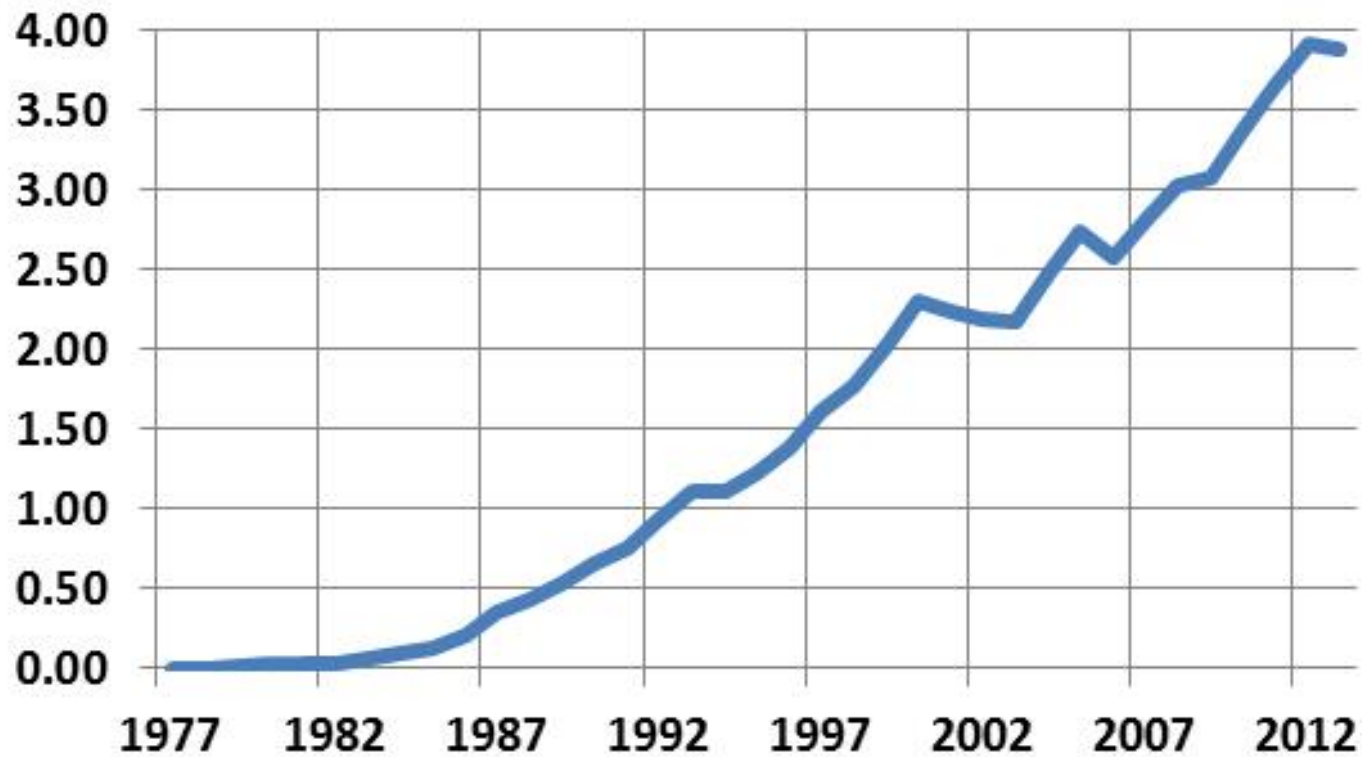


North Slope Production

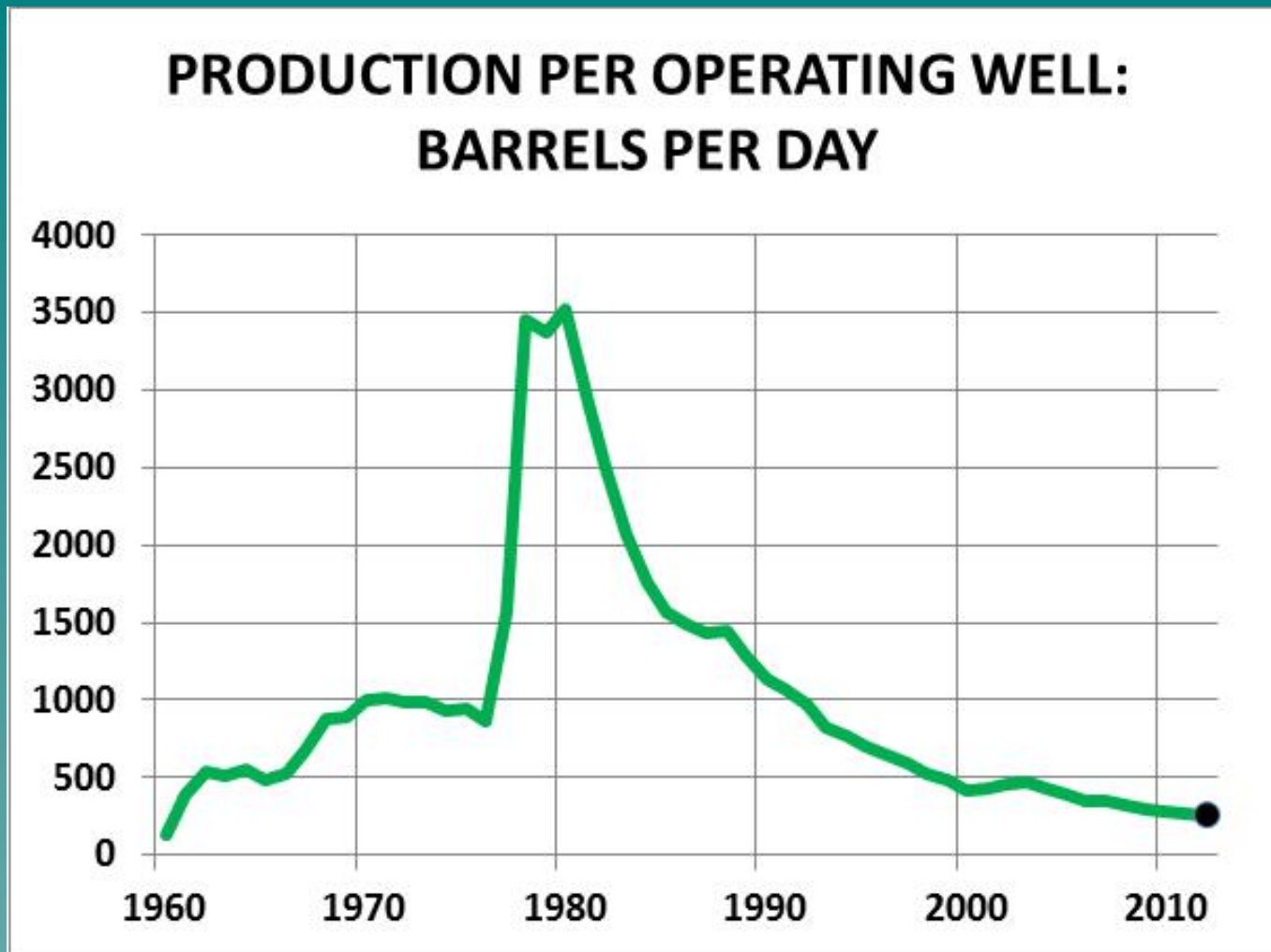


Water to Oil Production Ratio

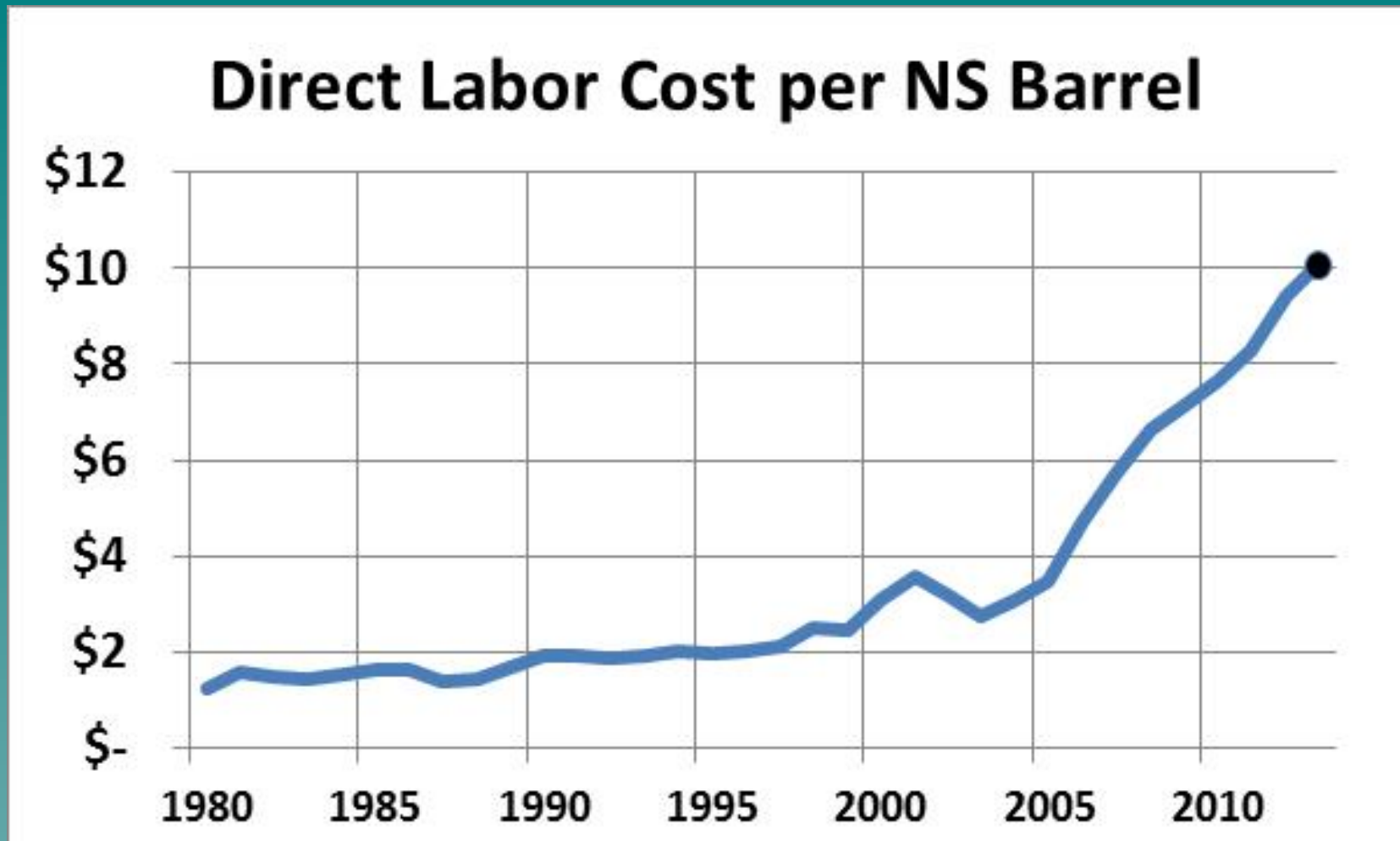
NORTH SLOPE PRODUCTION: WATER BARRELS PER OIL BARREL



Average Well Production Rate

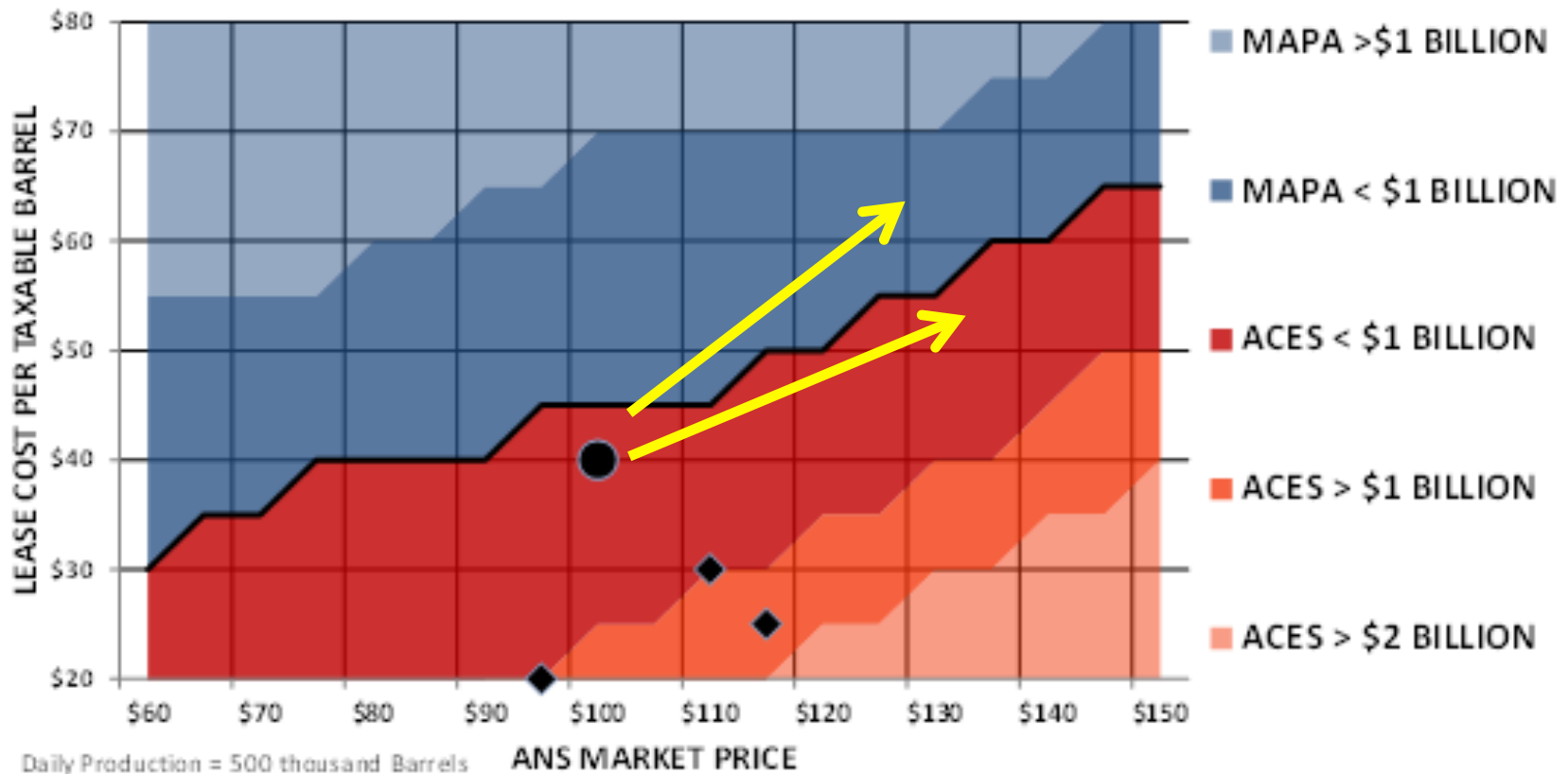


More Labor to Do the Squeezing

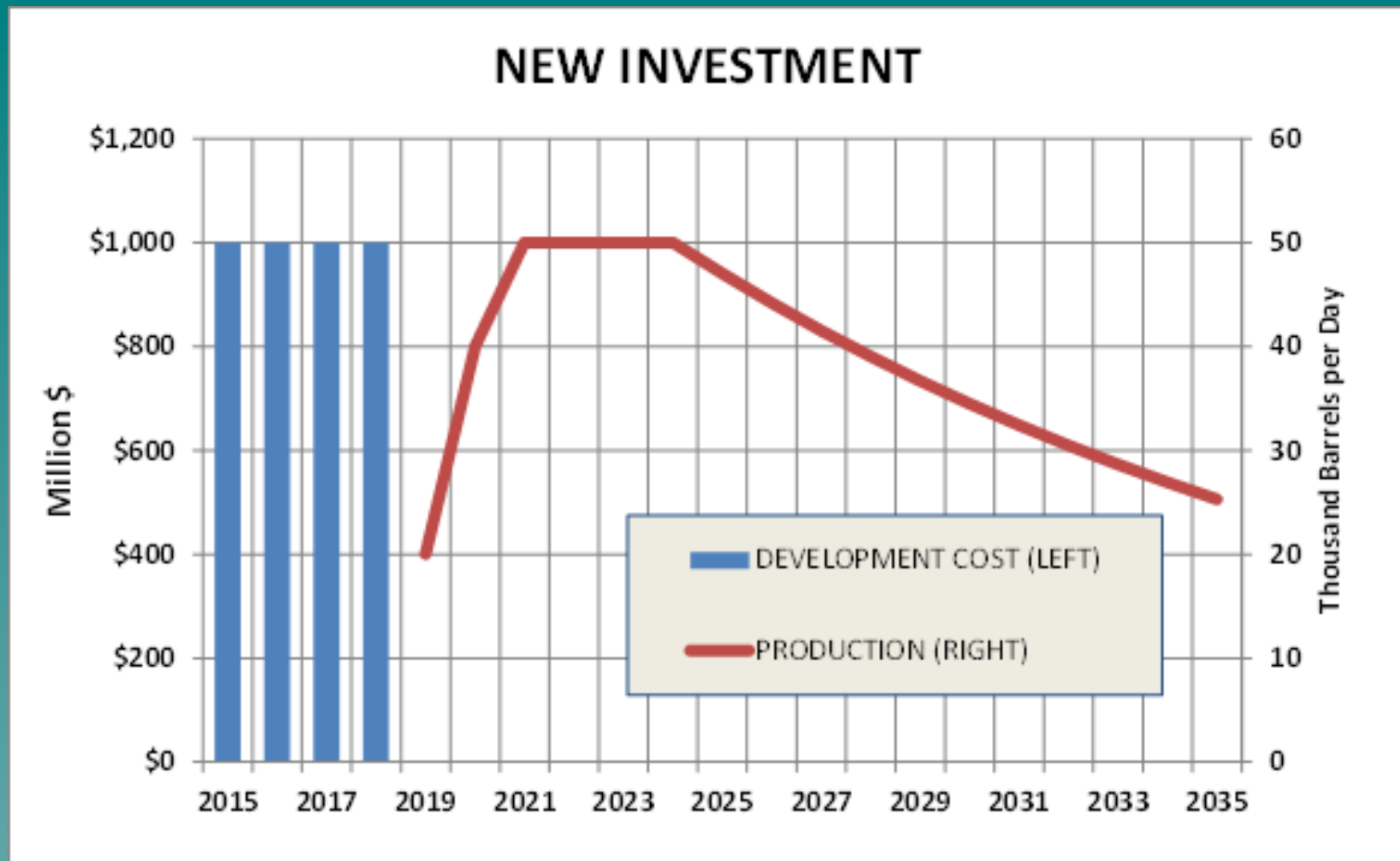


Where Will Future Darts Land?

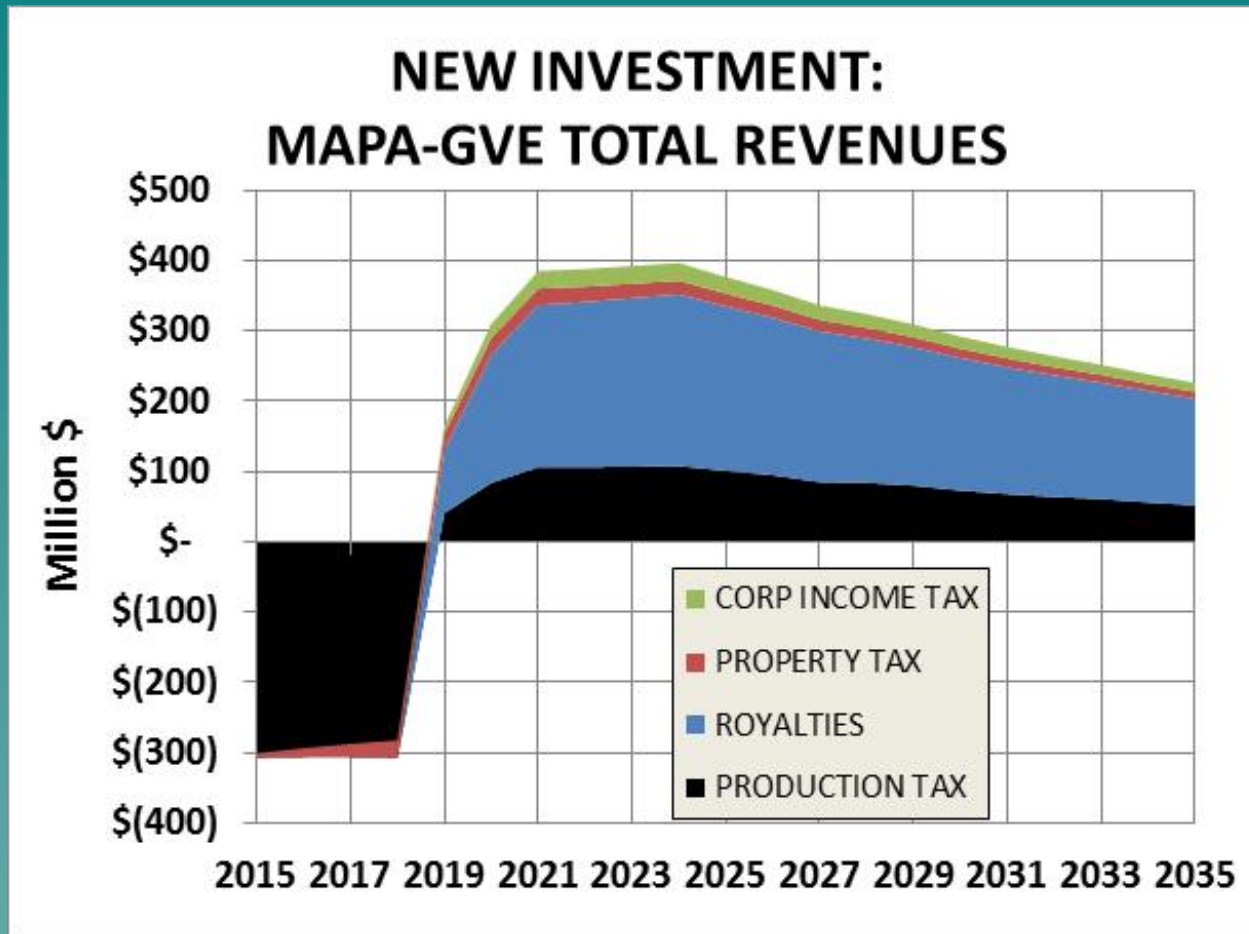
MAPA VS ACES ? REVENUE COMPARISON



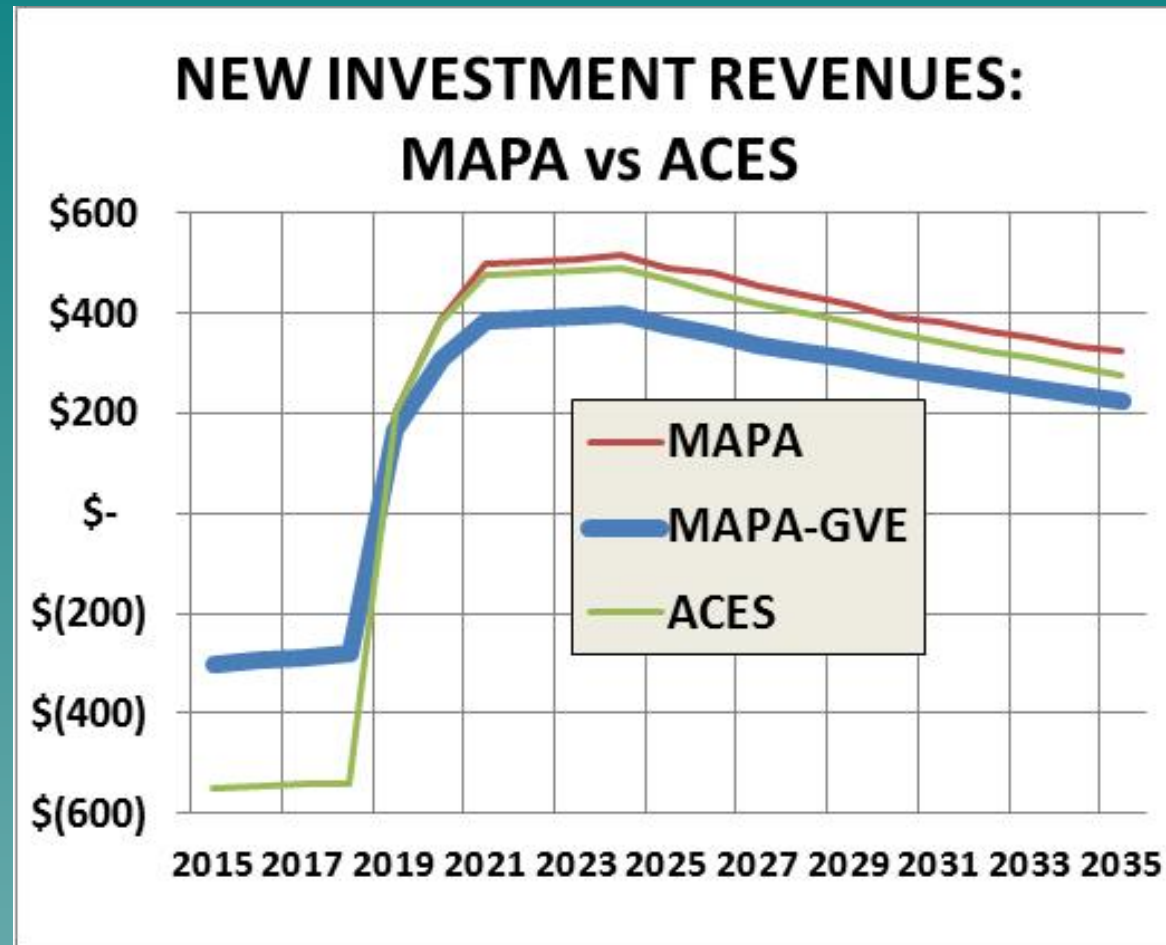
Adding a Hypothetical New Project



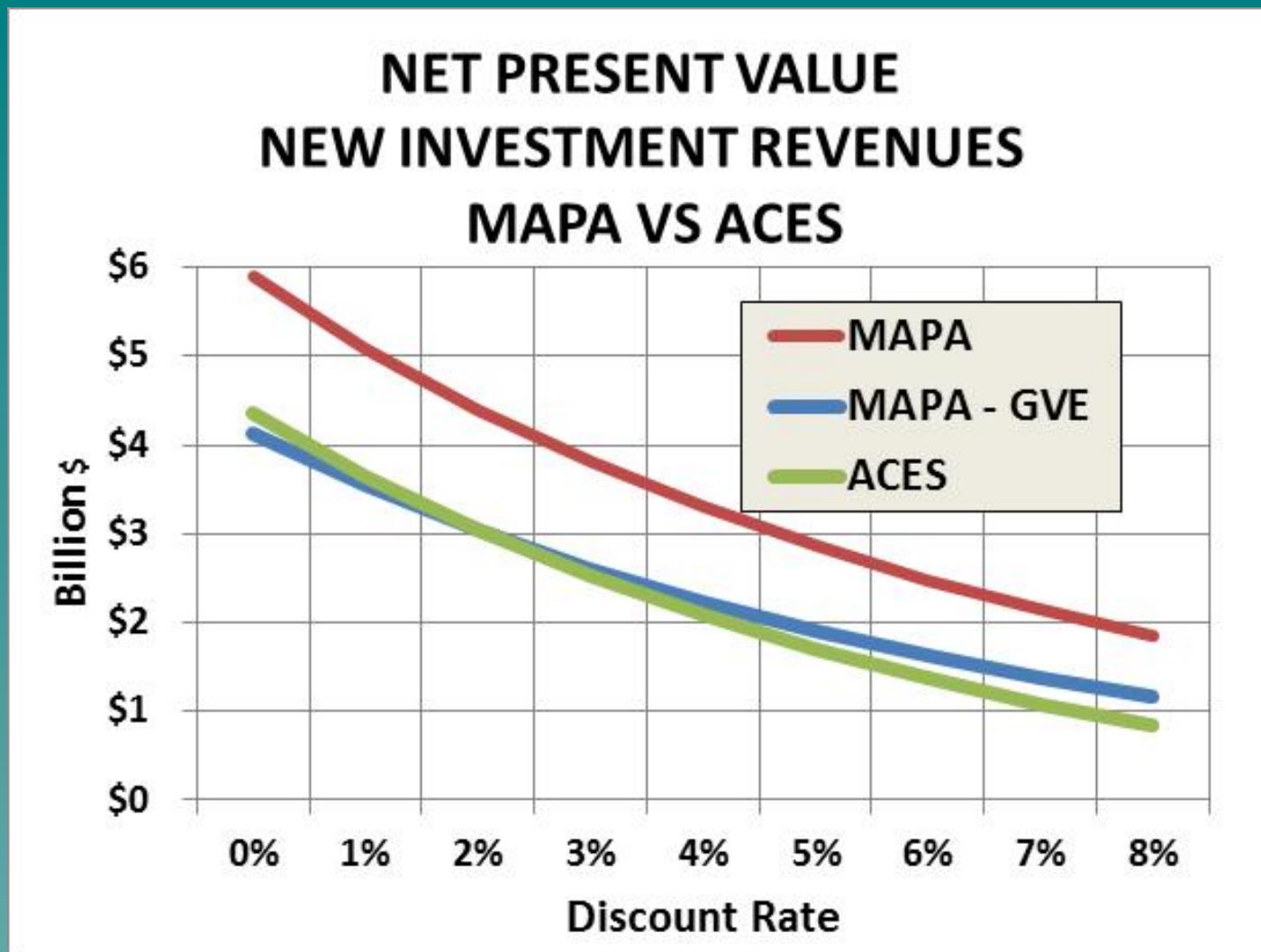
New Investment Revenues (MAPA-GVE)



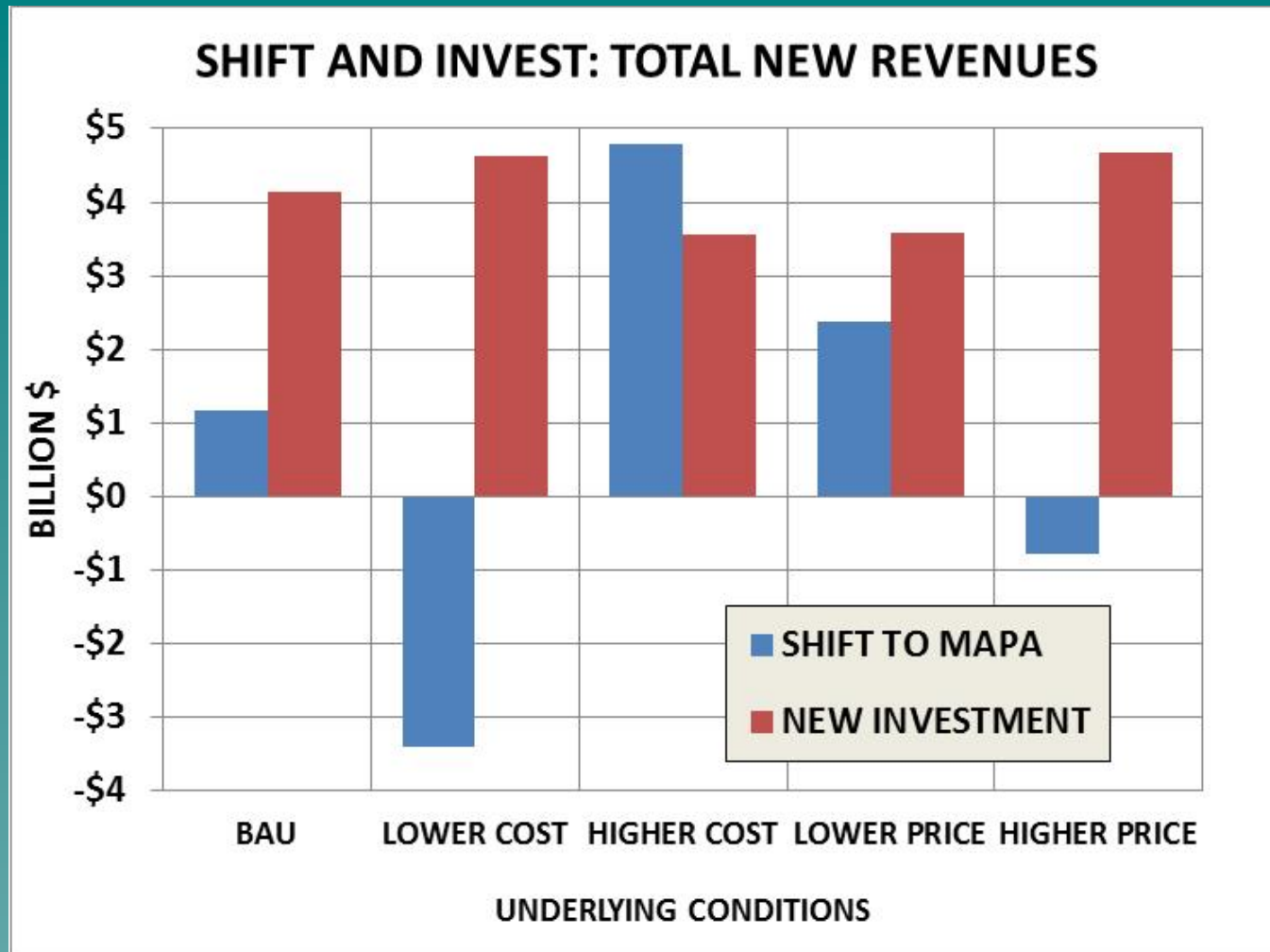
New Investment Revenues: Comparison of Tax Regimes



The Value of Future Revenues

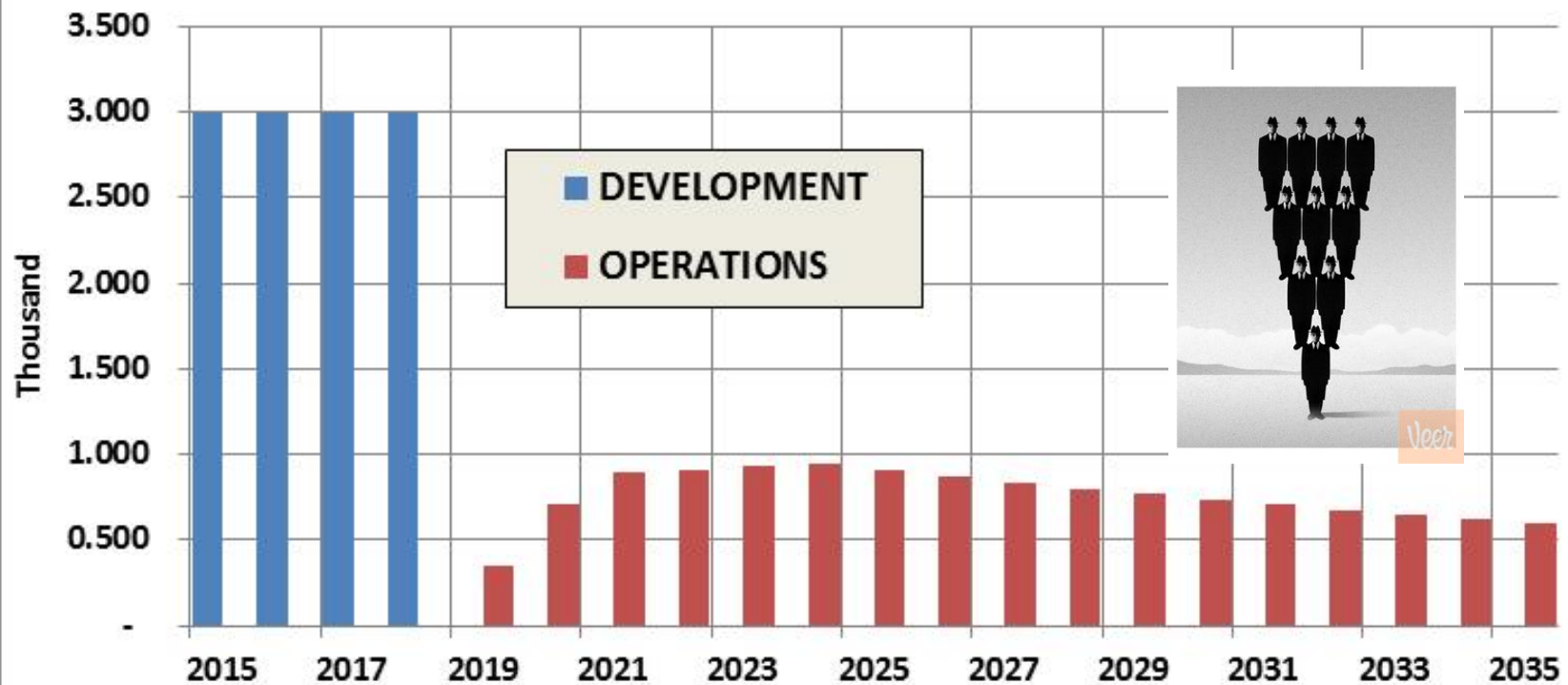


Switch to MAPA & New Investment



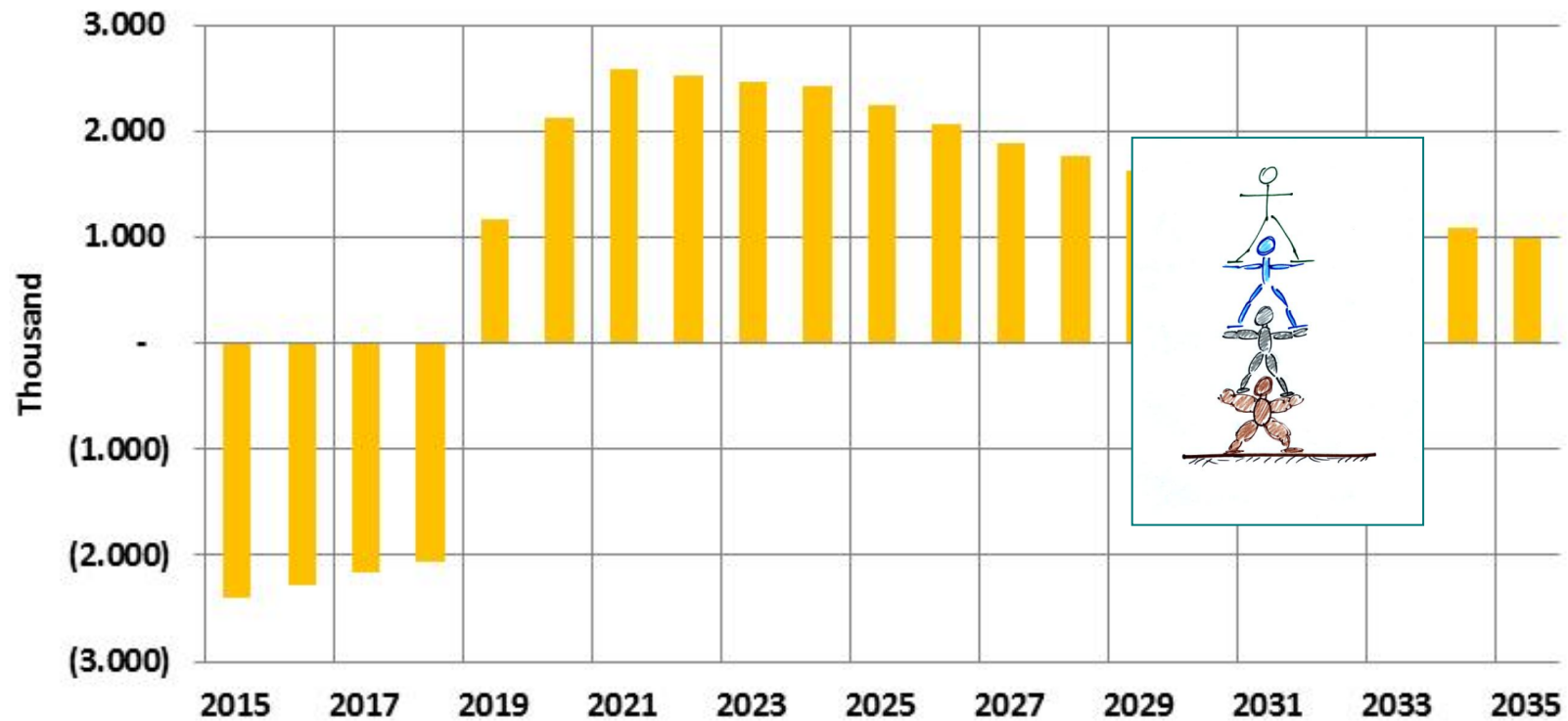
Job Creation in the Oil Patch

NEW INVESTMENT: DIRECT OIL PATCH JOBS

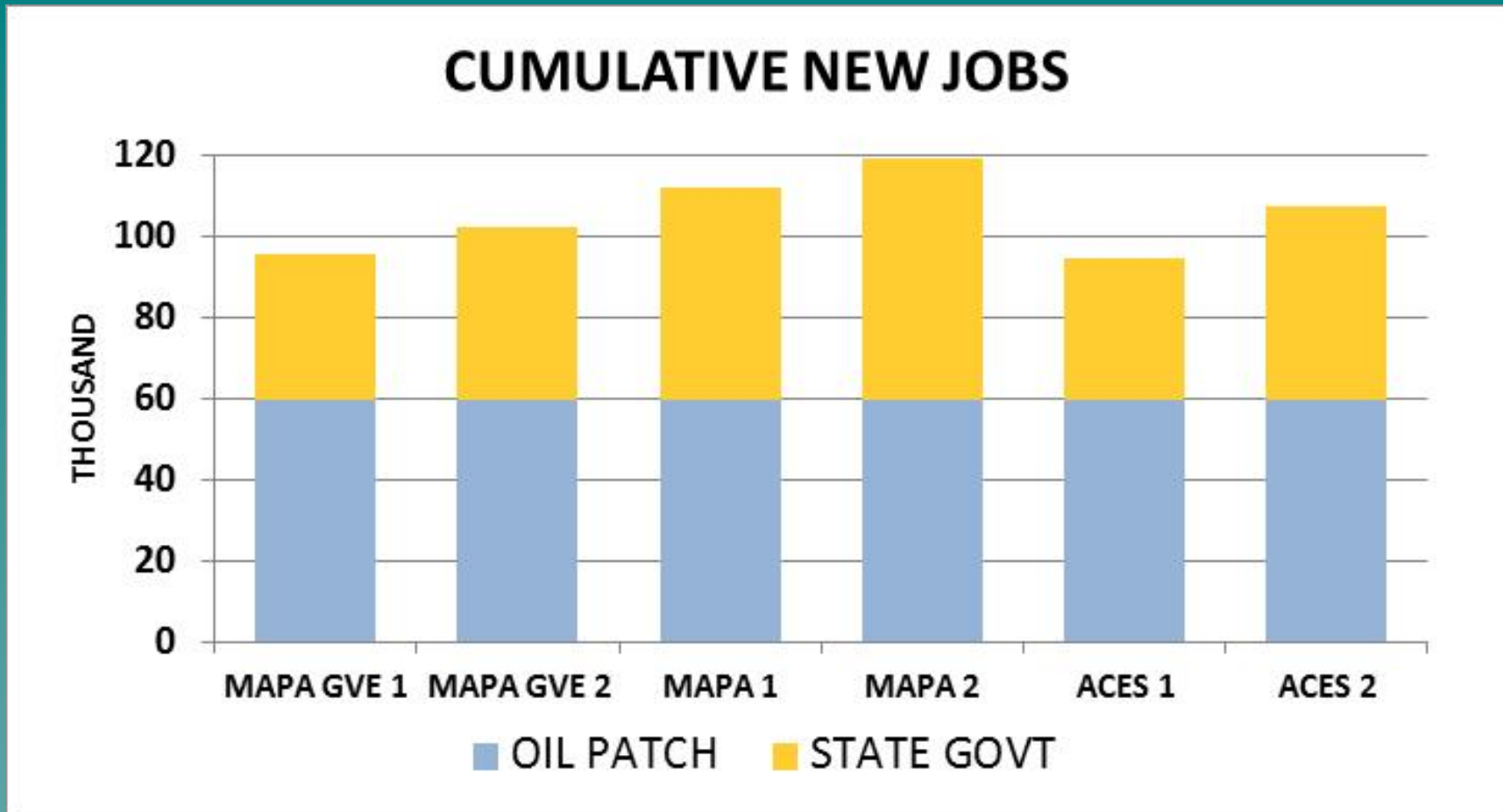


Job Creation from State Revenues

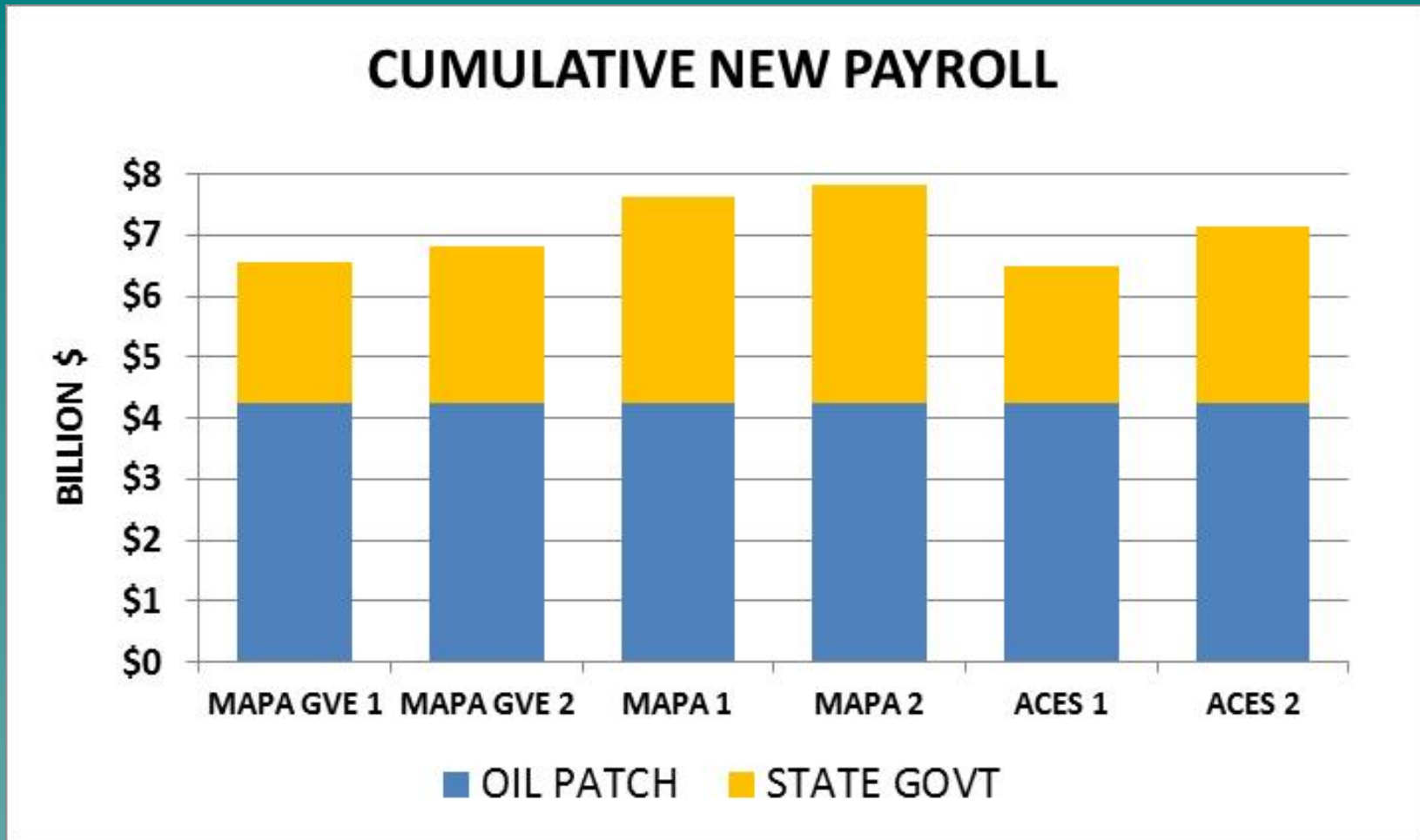
NEW INVESTMENT: PUBLIC JOB CREATION CAPACITY (MAPA - GVE)



New Investment: Jobs



New Investment: Payroll



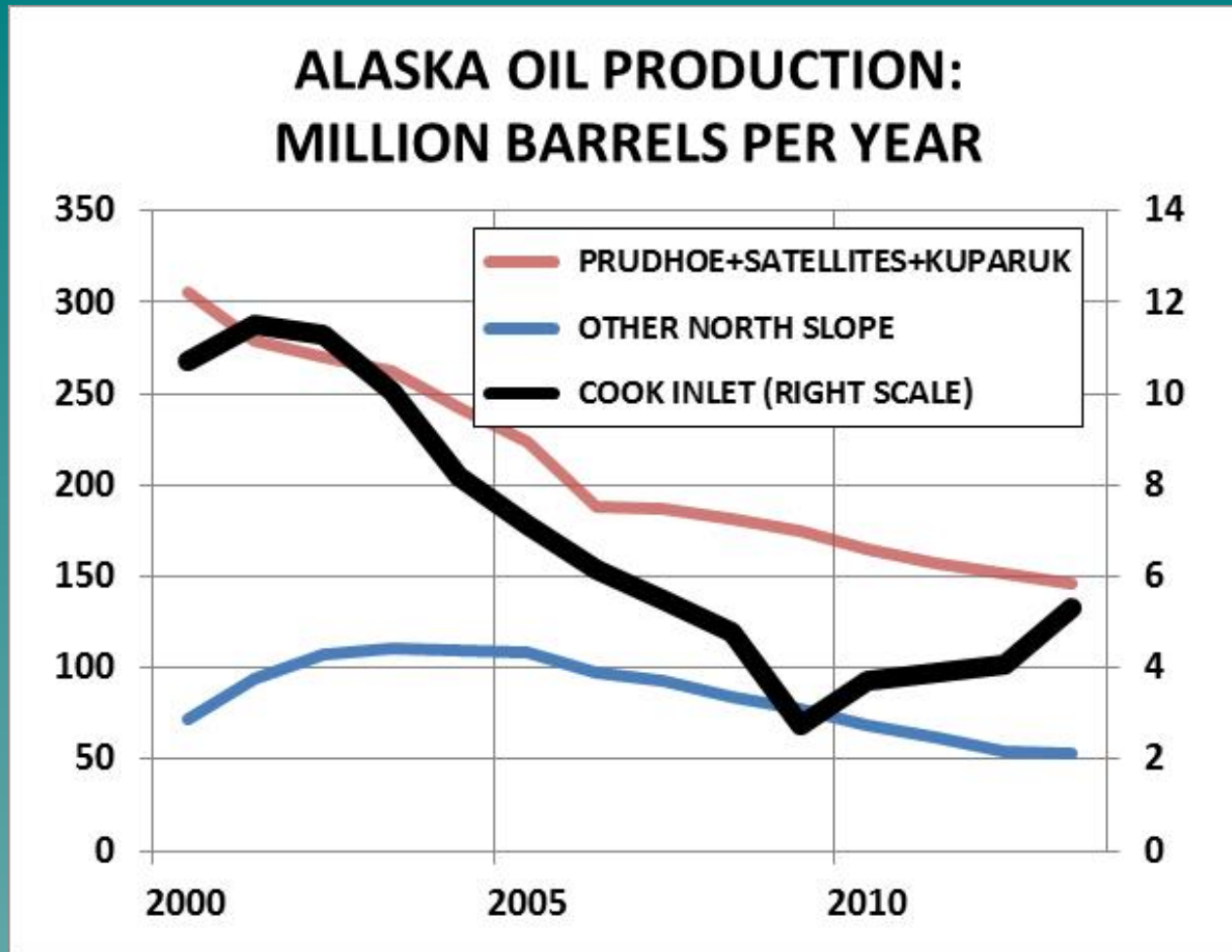
Why Do Producers Favor MAPA ?

TAX MINIMIZATION

Vs

PROFIT
MAXIMIZATION

Do Incentives Matter ?



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