

ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

Sponsor Statement

HB 99 - Oil & Gas Tax Credit Disclosures

Alaska is heavily dependent on revenue from oil & gas production. Recognizing that investment in Alaska is high risk and high cost, the state established a credit program to incentivize investment and to help explorer and developers become tax payers and producers. Established producers can deduct certain costs and incentives from their tax liabilities. Explorers apply to the state for payment of their claims. The fall in oil prices has created an environment wherein the amount we are contributing to exploration and production costs exceeds the revenue from severance taxes. We have invested \$8 billion in the credits and decision-makers have little information to measure the effectiveness of our investment.

In any business partnership, all parties need to know the return on their investments, yet after 10 years of investment in the current oil tax credit system, Alaskans (the owners of the resource) and lawmakers do not know with any certainty what we have bought with our significant investment. To hold ourselves and the industry accountable, we need to have public descriptions of where our money is going, and what it is doing.

This legislation will provide the state with information on our investments. It asks companies who file for tax credits to agree to release a general description, the purpose, and the location of the expense as a condition of participation in the credit program.

Assessment of Alaska's oil and gas exploration credits to determine their effectiveness is vital information. If the State is going to continue to dramatically buy down any oil company's risk in exploration and production, we need to be sure our investments are going towards efforts that further development in Alaska and put more oil in the pipeline. Having this information will allow us to understand the strengths and weaknesses of the system in order to effectively incentivize increased production.

Please join us in passage of this legislation. If you have any questions, please contact Representative Josephson at 465-4939.