

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

July 24, 2014

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Sent via email

Dear Governor Parnell:

I am writing to ask that you clearly inform the public about a provision in SB 21 that you have not given fair attention. According to a report touted by the oil industry and written by Scott Goldsmith, all fields placed in a unit after 2003 and into the future will produce a near zero or negative production tax worth for the state (see page 19 of the Goldsmith Web Note May 2014).

In plain English, that means many fields that were either producing under ACES, the prior tax law, or that were announced as fields that would go into production when ACES was the law, but that hadn't been fully developed yet, will get this special zero or negative value tax treatment.

Further, all new fields that start production after 2011 (including those announced as going into future production under ACES before SB 21 was the law, e.g. Point Thomson, CD-5, and the southwest corner of Kuparuk) will, according to his chart under what's called the "Gross Value Reduction," produce little or even a negative value to the state. That's because the credits and deductions that will be paid to these companies will, in real dollars, equal or exceed the very low tax payments we receive on them (according to Goldsmith, those fields pay a special 13% effective tax rate).

This is important information and I encourage you to share it with the public.

Thank you.

My Best,

A handwritten signature in black ink, appearing to read "Les Gara".

Representative Les Gara