



# Oil & Gas Competitiveness Review Board

## Fiscal/Tax Regime Committee UPDATE

August 18, 2015



---

## **PROGRESS: Work Plan to Compare Competitiveness of Alaska's Fiscal and Oil and Tax Regimes to our Peers**

### **➤ Charge**

- to make written findings and recommendations to the Alaska State Legislature regarding, among others, “the competitiveness of the state’s fiscal and oil and gas tax regime when compared to other regions of the world.” Originally required by January 2015 or as soon as practicable, the report is now planned to be delivered by January 2016. An O&GCRB Fiscal Committee was established including Pete Stokes, Kara Moriarty and Commissioner Randy Hoffbeck.

---

## Work Plan Progress for July - August 2015

- Two meetings were held within the last several weeks between DOR Commissioner and Fiscal/Tax Committee (Kara Moriarty, Peter Stokes).
- Two meetings were held within the last several weeks between Fiscal/Tax Committee (Kara Moriarty, Peter Stokes) and DOR economists (John Tichotsky, Loren Crawford, Tim Harper, and Wyatt Perry).

---

# O&GCRB Fiscal Committee Scope of Plan: Part 1

## ➤ **Update information about Alaska's current oil and gas fiscal system**

- Update Chapter 8 of the January 2015 report, which summarized the elements of the current Alaska's oil and gas fiscal system.

## ➤ **Analysis and Recommendation of Competitiveness, Peer Group and Full Life Cycle Analysis**

- Update of the fiscal systems comparisons in Chapter 9, focusing on an element that has been the past focus of Alaska's fiscal system - company and government take.
  - Consider company-based indicators, such as NPV and IRR and per barrel F&D Costs, both in terms of their utility, as well as how they have been used in Alaska fiscal discussions in the past.
  - Existing DOR and Administration contractor economic models shall be reviewed and results may be compared, or expanded.
  - A review will be conducted of commercially available comparisons of Alaska to other jurisdictions to determine if these types of reports or analyses should be acquired by the State.
-

---

# O&GCRB Fiscal Committee Scope of Plan: Part 2

## ➤ Risk Comparison

- A risk matrix will be presented comparing Alaska to its peers. This will include, but not be limited to a discussion of geologic, fiscal, regulatory and cost risk. This will include a discussion of finding and development costs for Alaska and the Peer Group and how this impacts competition for investment.

---

**PROGRESS: Update information about Alaska's current oil and gas fiscal system.**

- Gathered and consolidated all previous work, with Tim Ryherd's change of position.
- In process of re-structuring Chapter 8 of the January 8, 2015 report to fit current information.
- Gathered information on current credits system, ready to be turned into summary narrative. An expanded credits narrative is a new feature for Chapter 8.

# Example of Peer Group Highlights

Draft | Draft |

## Oil Fiscal Regime Peer Group Highlights

Range	ANS		CI		ME		California		North Dakota		Oklahoma		Texas	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
State/Province Royalty (if applicable)	12.50%	16.67%	12.50%	16.67%	12.50%	16.67%	0.00%	0.00%	16.67%	16.67%	0.00%	0.00%	0.00%	0.00%
State/Province Rental Fees (per acre) (if applicable)	\$ 1.00	\$ 3.00	\$ 1.00	\$ 3.00	\$ 1.00	\$ 3.00	\$ -	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -	\$ -
Property/Ad Valorem Tax Rate														
Net Tax/Profit Share	0%	33.00%	0.00%	33.00%	0.00%	33.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State/Province Corporate Income Tax Rate	0.00%	9.80%	0.00%	9.80%	0.00%	9.80%	8.84%	8.84%	1.70%	5.20%	6.00%	6.00%	0.00%	0.00%
Gross Severance Tax	0.00%	3.00%	0.00%	3.00%	0.00%	3.00%	.1063/bbl	.1063/bbl	3.00%	11.50%	1.00%	7.20%	.0063/bbl+0%	.0063/bbl+4.6%
Indirect Sales/VAT Tax Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.00%	7.00%	3.00%	3.00%	4.50%	4.50%	6.00%	6.00%
<b>Federal (if applicable)</b>														
Federal Royalty Rate	12.50%	12.50%	0.00%	0.00%	12.50%	12.50%	12.50%	12.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Rental Fees (per acre)	\$ 1.50	\$ 2.00	\$ -	\$ -	\$ 1.50	\$ 2.00	\$ 1.50	\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Corporate Income Marginal Tax Rate	10.00%	39.60%	10.00%	39.60%	10.00%	39.60%	10.00%	39.60%	10.00%	39.60%	10.00%	39.60%	10.00%	39.60%
<b>Private (if applicable)</b>														
Private Royalty Rate	12.50%	20.00%					16.67%	25.00%	12.50%	25.00%	12.50%	20.00%	12.50%	30.00%
Private Rental Fees (per acre)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.00	\$ 30.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 3.50	\$ 3.50
Participation	0	0	0	0	0	0	0	0	0	0	0	0	0	0

---

## **PROGRESS: Analysis and Recommendation of Competitiveness, Peer Group and Full Life Cycle Analysis**

- Updated a spreadsheet with “fiscal parameters” that has latest information for comparison with other jurisdictions.
- Preparing a historic perspective of “government take” in the form of a graph.
  - Issues of definitions.
- Researching previous work done over last 5 years
  - Mostly presentations to the legislature on former views on government take, NPV, IRR, per barrel F&D costs and views.
- Narrative on other jurisdictions
  - in process.

---

## Risk comparison

- Risk matrix – template developed.
- Looking for data sources for finding and development costs.
- Research and data collection by DOR on Cook Inlet might be useful for competitiveness discussion.

NPV

10%

50%

90%

New Project  
Balance  
Sheet

New Project  
No Balance  
Sheet

Incremental  
Project  
Balance  
Sheet

Incremental  
Project  
No Balance  
Sheet

THANK YOU

