



ALASKA DEPARTMENT OF REVENUE
P. O. Box 110400, Juneau, AK 99811
(907) 465 - 2300 www.dor.alaska.gov

REGULAR MEETING OF THE
OIL & GAS COMPETITIVENESS REVIEW BOARD
July 14, 2015
(Teleconference Only)

MEETING MINUTES

TUESDAY, JULY 14, 2015

1:00 p.m. CALL TO ORDER / ROLL CALL

Present: Tom Maloney, Steve Davies, Peter Stokes, Kristin Ryan, Deputy Commissioner Rutherford, Commissioner Hoffbeck, Tom Hendrix, Kara Moriarty

Others Present: Stephanie Alexander, DOR

Note: Joey Merrick was unable to attend due to a prior engagement.

1:04 p.m. APPROVAL OF AGENDA

Approval: 1st – Tom Maloney, 2nd – Peter Stokes

APPROVAL OF MINUTES - June 3, 2015

Approval: 1st – Tom Maloney, 2nd – Deputy Commissioner Rutherford

1:06 p.m. PRESENTATION: SENATE RESOURCES

Chair Hendrix introduced Senator Cathy Giessel, Senate Resources Committee Chair. Senator Giessel said she appreciated the opportunity to speak to the board. She addressed the recent agreement the United States crafted with Iran and pointed out that Saudi Arabia could run on the low oil prices in this competitive market for a while.

Senator Giessel stated on June 17, 2015, the Joint Senate and House Resources Committees met in Kenai to discuss oil and gas tax credits. Both Commissioner Hoffbeck and Ken Alper, Tax

Division Director, spoke at these meetings. Senator Giessel pointed out there is now uncertainty in the market due to the \$200 million veto. She went on to read two letters she had received. The first was from Furie Operating Alaska, LLC, explaining their new investments in Alaska and how they will now lose investment dollars. The second letter she had received was from Caelus Energy Alaska explaining how the tax credit program was formerly working for them, but is now negatively impact the company and their investors with this new perceived risk. Senator Giessel reminded the board how tax credits have made a huge impact in Cook Inlet and the recent actions will now ripple out into the economy. In closing, Senator Giessel stated she was very concerned with the chilling effect this veto decision has had on Alaska's investment climate.

Chair Hendrix mentioned this board has a unique role and opportunity when it comes to these most recent current events. He asked Senator Giessel if there was a group of individuals being put together to have more discussions on this. Senator Giessel agreed that there should be a group that meets to talk about the economics going forward and the impacts of the financial climate we are in. Chair Hendrix listed other companies (Blue Crest, Furie, Caelus, Brooks Range, Apache, Hilcorp, Great Bear, Cook Inlet Energy, Armstrong, Repsol, Nordak, etc.) that are effected by the State's credits or loans.

Commissioner Hoffbeck added they are currently looking to ISER for input on how different cuts impact the economy. They are not looking to change just a single policy and the process is hard to pin down. The Department of Revenue has been actively meeting with small players and lending organizations on how to move forward and helping give assurance (businesses like Crowell and Moring, Caelus, Brooks Range, Bank of America, Furie, etc.). They are looking at the credit structure in relation to the budget, looking at the liquidity issue that Senator Giessel mentioned, and, if the credit program changes, looking at how they move from the old to the new. Commissioner Hoffbeck reiterated that this is a three-fold change and encouraged the board to look at the credit program holistically.

1:26 p.m. REVIEW COMMITTEE OUTLINES

Regulatory/Permitting Committee

Kristin Ryan presented the regulatory and permitting committee outline. Deputy Commissioner Rutherford spoke to the section "establish a statewide mitigation bank". She mentioned the state is working with the federal government on what they need to help set up a mitigation bank and what a state bank looks like. There is currently not one in place. Kristin Ryan also gave an update on the Governor's efforts to evaluate the permitting process and discovering new ways to improve community involvement, though she was unaware if this project had begun.

Infrastructure Committee

Chair Hendrix went over the infrastructure committee outline.

Labor/Workforce Committee

(Not ready for a presentation, tabled to the next meeting.)

Fiscal/Tax Regime Committee

Peter Stokes presented the fiscal/tax regime committee outline. This committee is working with the Economic Research Group in the Department of Revenue to help achieve their deliverables. Peter Stokes mentioned he has been guiding the group and Commissioner Hoffbeck is helping

move them forward. An additional item they will add to their list will be looking at the tax credit program with a holistic view.

1:56 p.m. SCOPING FOR FUTURE BOARD MEETINGS / WRAP-UP

Kara Moriarty requested each committee updates each other moving forward. Chair Hendrix recommended each committee chair reports back to the group on a regular basis to keep everyone on the same page and follow the work in progress.

Commissioner Hoffbeck also brought up the concerns some of the smaller companies have with the cost of development in Cook Inlet and how it is really restricting what companies can and cannot do. He pointed out this may be an issue the board might want to look at, not only from the government's side, but also on the private sector side and looking at the different competitive rates.

Chair Hendrix requested Stephanie Alexander, board liaison, send out a note for scoping the date and time of the next meeting. He requested that the board receive the labor and workforce committee outline, if at all possible, by July 27th to review.

2:05 p.m. ADJOURNMENT

Chair Hendrix adjourned the meeting.