Tax Likely Contributed to Oil Production Decline

BECKY BOHRER,Associated Press

JUNEAU, Alaska (AP) — A Senate panel said Thursday that Alaska's oil tax system likely helped advance the decline of oil production in the state, but it expressed misgivings with Gov. Sean Parnell's approach to addressing the issue.

The special committee on oil flow through the trans-Alaska pipeline said its decision to send Parnell's oil tax bill on for further review was "in no way an expression of support" for the measure in its current form. A letter of intent from the Republican-led panel referred to SB21 as "an adequate platform from which a respectful dialogue can begin" but said most of the committee's members have concerns that would have to be addressed before they could support the measure.

Parnell, who is also a Republican, has proposed sweeping changes to Alaska's oil tax structure, aimed at making the state more competitive and encouraging new production. His plan would eliminate the progressive surcharge that companies say is a disincentive to new investment and revamp a suite of tax credits, focusing incentives on companies that produce new oil on the North Slope. It would retain the current base tax rate.

The idea behind the current tax structure, passed in 2007, was that the state would help oil companies on the front end with things such as tax credits, and share profits on the back end when oil flowed and prices were high.

Tax credits under the current system could top $1 billion next fiscal year alone, and Parnell's revenue commissioner has said he has seen no evidence the credits have led to increased production.

Parnell has said he wants to restore balance to the system, and make it simpler and durable. He said he also wants any tax plan to be fair to Alaskans. Parnell said Wednesday that if legislators want to propose something different, he's open to that, but his decision-making will be guided by those principles.

On Thursday, he thanked the committee for its work.

"There is little disagreement that our current system needs to be fixed, and so I look forward to working with the Legislature to create more economic opportunities for Alaskans," he said in a statement.

Joe Balash, a deputy Natural Resources commissioner who has helped carry the bill, said the administration fully expected that the bill introduced would not be the bill enacted. He said the conversation will continue and the administration looks forward to going more in-depth into what it has proposed.

The panel did not change the bill, though four amendments were offered by the

lone minority member, Sen. Berta Gardner, D-Anchorage. Instead, it advanced the measure to the Senate Resources Committee with an accompanying letter of recommendations. Those include having lawmakers evaluate applying to existing fields a tax break proposed by Parnell for new fields and new areas of legacy fields, and using progressivity to level the proportion of state take across a range of oil prices.

"Although SB21 is an adequate platform from which a respectful dialogue can begin, in the current form the bill may not adequately provide production credit incentives and opportunities; a level revenue proportion for Alaskans; and protections for Alaska hire and re-investment," the letter states.

Issues raised by Gardner were included in the letter, and she thanked co-chair Peter Micciche for his efforts to be fair and inclusive. She voted against the letter because she said she hadn't had time to study it.

She said later that she doesn't believe the bill will affect the level of throughput in the trans-Alaska pipeline.

The committee's leaders have said they plan to continue looking at other issues that might be affecting oil production.

All sides share the goal of getting more oil into the pipeline. The disagreement lies in how best to do that.

Minority Democrats in both the House and Senate plan to introduce bills aimed at new production. Democratic leaders argue the current system is working, benefiting both the state and companies, but said they are open to tweaks to improve it.

Senate Democrats said Wednesday that they were encouraged by some of the skepticism and questions being asked by Republicans.

When Republicans took control of the Senate following last year's elections, there were concerns, notably from Democrats, that there would be a rubber-stamping of any oil tax plan put forth by Parnell. The Senate's bipartisan ruling coalition in 2011 effectively killed Parnell's first attempt at cutting taxes. A plan he proposed during last year's special session was criticized by members in both parties and chambers before being pulled.

"It will be very, very interesting to watch, if people put party first, the oil industry first, their caucus first or if they put their conscience and the future fiscal and economic wellbeing of the state of Alaska first," Senate Minority Leader Johnny Ellis, D-Anchorage, told reporters Wednesday.

Industry representatives this week told the special committee the governor's bill is a good start. But concerns were raised with how the measure deals with tax credits and incentives for legacy fields, and the bill was seen as a tax increase at lower oil prices.

Parnell said Wednesday that he understands oil companies "want it all. And they can't have it all, you know? That's Alaskans' oil. And, so I am better protecting Alaskans at lower oil prices with this proposal, and I think that's something we need to do."

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For more on SB21: http://bit.ly/XrITlS *[1]*

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