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My Turn: 'Yes' vote gives Alaska time to get it right

Posted: August 17, 2014 - 12:10am

By LISA WEISSLER

FOR THE EMPIRE

On Tuesday, Aug. 19, Alaska voters will act as legislators. Through Ballot Measure 1, Alaskans have the power to repeal the law currently governing Alaska's oil and gas production tax, known as Senate Bill 21. A "Yes" vote repeals the current tax and reinstates the system that was in effect from 2007 until 2013, known as Alaska's Clear and Equitable Share (ACES). Just as legislators need to be informed before they vote, so does the voting public.

Alaska owns the oil on the North Slope. But as a state, we decided that rather than develop the fields ourselves we would offer leases to companies who have the technical expertise to explore and produce the resources. In exchange for them taking the risks in exploring for and developing our oil, we give the companies significant rights and a share of the profits.

The oil and gas production tax is intended to compensate Alaskans for the taking of our resources by the private companies who profit from its production. The tax is how oil is converted into revenue that supports public services and infrastructure, Alaska jobs and businesses and economic diversification.

The question presented by Ballot Measure 1 is: Which tax structure is better for Alaska?

My view is the former tax system, ACES, will work better. That is because it was designed for a balance between profit sharing and encouraging investment in exploration, development and production. ACES did this by ensuring the state shared in profits at high oil prices, helping industry at low prices, and requiring investment in the state for a company to qualify for tax credits that reduced the amount of tax owed.

SB21 was designed to encourage production, primarily in the large existing fields. SB21 has a flat tax with limited adjustments for high and low oil prices, and does not require investment in the state to qualify for tax credits. In effect, SB21 gives control of a share of our oil profits to private companies with the hope they will invest in the state and that will somehow trickle down into our economy.

Supporters of SB21 say to give the legislation a chance. But there is a real risk that the three major North Slope producers – ExxonMobil, BP and ConocoPhillips – will take the excess profits they make in Alaska and invest them in places like North Dakota. The fields down south are unconventional oil fields that use fracking technology. The fields decline much faster than Alaska's big, conventional oil fields and require continual and immediate investments in drilling to keep up production. Consequently, giving SB21 a chance means risking both oil and profits flowing out of the state with no way to recoup the loss. And if we try to fix the tax system later, we will face the same battle we are fighting today.

When it comes to encouraging investment and production in the state, Alaska benefits more from taking a strong position. This happened with the large North Slope oil and gas field called Point Thomson. In 2005, after Exxon sat on the area's leases for more than 30 years, the state finally moved to take them back. The result was a settlement where Exxon is now actively developing Point Thomson. Because the state held firm, more than 730 people were employed on the site this past winter and 92 companies are contracting with the project, 80 percent of which are Alaskan (Juneau Empire, Aug. 3, 2014). This occurred under ACES.

As owners of the oil, we have a duty to be engaged and to work with the oil companies. We should not hand over profits with the hope companies will act in our best interests. Passage of Ballot Measure 1 puts the state in a stronger position for refining the tax system to encourage investment in Alaska and provide a healthy revenue stream to serve Alaskans. Please vote "Yes."

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