



# **Chevron - Alaska Area Testimony on HB 488**

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# General Comments on CS

- Previous Testimony by Chevron
  - Cook Inlet must be treated differently than the North Slope
  - Do not pull all of the “levers” in the same direction
  - Keep it as simple as possible
- We find none of this counsel retained in the CS

# Comments on Substantive Changes



- Make tax rate progressive
  - Very complex to track (daily?)
  - Why pegged to WTI?
    - ▶ What about ANS? What about Gas?
  - The price step up *is not* inflated
  - Taking away the “windfalls”, no matter how you couch it, lowers expected value to investors
  - A move against industry

# Comments on Substantive Changes



- Reduce Transitional Money as Deductible Allowance
  - Reduces Chevron's annual deduction by >80%
  - The \$40 indexing price is inflated
  - Another move against industry

# Comments on Substantive Changes



- Exploration Enhancement
  - Reducing capital credit to 20% is not encouraging exploration
    - ▶ We run full cycle economics to justify an exploration program
  - Dramatically shifts the balance of new taxes and investment incentives
  - Another move against industry

# Comments on Substantive Changes



- No Credit for Abandonment
  - Inclusion would encourage timely abandonment of operations
  - State has benefited from the assets for many years, it is a legitimate cost of production
  - Another move against industry

# Comments on Substantive Changes



- Private Royalties
  - No comment
- AOGA technical changes
  - Let's get it right
- Contingency surcharge
  - Another move against industry
- Effective Date
  - Another move against industry

# Comments on Substantive Changes



- Issues surrounding the \$73 million allowance
  - Another move against industry
- Tax Credit Repurchase Program
  - Helps a few, but not Chevron
- Penalties on underpayment of less than 90% of monthly tax liability
  - 5% is punitive
  - Need market based interest rate
  - Another move against industry



# Biggest Disappointment of All

- The unique value and challenged position of the Cook Inlet is not recognized
- Revisions as proposed significantly lowers the economics of capital investments in the Cook Inlet
  - Puts Chevron's four year capital program in serious jeopardy
  - Without capital McArthur River Field is gone in ~4 years
  - Critical mass is gone - Cook Inlet oil industry shrivels and dies
  - Industry produces out remaining proven gas reserves



# Final Score

State	Industry
8	0

This bill has gone from being somewhat balanced and thus having the “reluctant support” of industry, to one that is lopsided in favor of the state, and is therefore one that Chevron cannot support.