RESOURCE DEVELOPMENT COUNCIL
Growing Alaska Through Responsible Resource Development

April 22, 2025

Submitted electronically via: Senate.Resources@akleg.gov

Senate Resources Committee
Alaska State Legislature
Juneau, Alaska

RE: Opposition for SB 112, Oil Production Tax Credit

Dear Chair Giessel, Vice Chair Wielechowski and Members of the Senate Resources Committee:

On behalf of the Resource Development Council for Alaska (RDC), please accept for the record this letter in opposition to SB 112, the Oil Tax Production Credit, and refrain from moving it out of committee. This is not the time to disincentivize investment in the long-term development of Alaska's oil and gas industry – which SB 112 threatens to do by reducing the per barrel credit.

For the record, RDC is a statewide, non-profit professional trade association founded in 1975. Our diverse membership is comprised of individuals and companies from Alaska's fishing, tourism, forestry, mining, and oil and gas industries and includes Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to advocate on behalf of these industries and encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources. Part of our legislative priorities are to encourage stable tax policy to enhance Alaska's competitiveness that will attract investment for all industries. RDC opposes tax policies that target only one industry.

Current law allows a sliding scale per barrel credit to be applied against production tax liability up to $8 per barrel, but as low as zero, based on the price of oil. SB 112 proposes to reduce this credit by $3 per barrel. In doing so, SB 112 will make it more expensive to operate in Alaska, risks reducing investment, and upsets a currently stable tax regime.

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In 2013, the Alaska Legislature passed into law SB 21, the basis of our current tax structure. This fundamentally changed Alaska's oil and gas tax structure to spur investment for long-term growth after years of significant drops in production and development for the industry. One of SB 21's components included the current sliding scale per barrel tax credit at up to $8 per barrel. SB 21 also included a separate category of cashable, or refundable, oil tax credits that were repealed by subsequent legislation in 2016 and 2017. This history is important because those cash credits were investment-based credits. With the remaining production-based, non-cashable, per barrel credit, it was the intent that this would continue to stabilize tax policy and spur investment as an attractive mechanism to offset some, but not all, costs for producers operating in an environment known for its high-cost operations.

SB 112 threatens to destabilize the large scale investment made as a direct result of SB 21 and what we see happening on the North Slope today. For the first time in years, we are seeing the largest activity on Alaska's North Slope with the investments of ConocoPhillips' Willow and Nuna Projects and Santos' Pikka Project, just to name a few. (Of course there are many more projects in development.) Many describe what is happening today as a level of activity not seen since the oil boom of the 1970's. Most recently, the U.S Energy Information Administration reported in its March 2025 Short Term Energy Outlook that Alaska will see an increase in production in 2026, the first time since 2017. We need to continue this progress, not deter it. In sum, the per barrel credit is working.

Stable tax policies help spur continued investment in Alaska's oil and gas industry. This is critical when you consider the percentage of revenues and royalties that support essential government services at both the state and local levels. However, we must also consider the number of Alaskan jobs, direct and indirect, that the industry supports in Alaska - and not just in the traditional support industries, including our labor unions. The trickle down affect positively impacts our local economies with jobs that support and allow Alaskan families to remain in local communities, public schools, and support local commerce, other service industries, and more.

To chill investment by reducing the per barrel credit could have far reaching unintended consequences.

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Thank you for your consideration of these comments.

Sincerely,

Leila Kimbrell
Executive Director
Resource Development Council for Alaska
Celebrating 50 Years of Responsible Resource Development in Alaska

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